Never the twain?

Why eastern Germany resents the west

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Uneasy money

Phantoms in the cash dispenser

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Syndicated loans

Finely priced deals make a comeback

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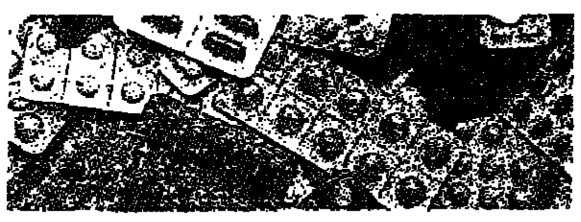

Asthma drugs

Palliatives but still no cure

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NEWSPAPER of THE YEAR

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER D8523A

German union leader criticises Bundesbank

The German Bundesbank's "uncontrolled power" as an independent bank should be balanced by greater democratic accountability, trade union leader Franz Steinkühler said yesterday. The head of the powerful metal workers' union argued that the Bundesbank neglected legal and economic responsibilities while paying "extensive and excessive" attention to inflation. Page 14

Hutchison Whampoa, Hong Kong-based trading company controlled by Li Ka-shing, placed 300m shares yesterday in a bid to raise HK$4.47bn (US$578m). Hutchison, which recently cut its dividend, left the market guessing why it needed the money. Page 15

UK bans Ulster group: Britain has outlawed the last legal Protestant extremist group in Northern Ireland. The Ulster Defence Association is considered a front organisation for the already-outlawed Ulster Freedom Fighters. Page 8

Hollywood move: Polygram, Dutch music business 80 per cent owned by Philips, is paying $35m for a 51 per cent stake in Hollywood film company Interscope, which made "Three Men and a Baby." Page 15

Speculators on rampage: Tens of thousands of Chinese stock speculators rampaged through the southern city of Shenzhen, protesting at alleged official corruption in share allocations. Page 14

Call for Iraqgate prosecutor rejected:

George Bush's administration risked another election year clash with Congress when attorney-general William Barr (left) rejected the House judiciary committee's request for the appointment of a special prosecutor to investigate the "Iraqgate" affair. Page 5

Kabul attacked: Dissident Afghan guerrillas launched what diplomats called the heaviest bombardment of Kabul since the civil war began 14 years ago. More than 1,000 people were feared injured.

Dumping duties to stay: The European Community is making anti-dumping import duties permanent on South Korean car radios. Page 4

Armenia seeks help: Armenia said it was asking fellow CIS states to consider economic sanctions or even military action against Azerbaijan, which it accused of launching "undeclared war" in the Caucasus. Page 3

European airlines said passenger traffic had risen by almost a fifth in the first half of 1992 compared with the same period a year earlier, but warned of a tough second half. Page 2

Italian prosecutor moved: Italy's top judges ordered the transfer of Pietro Giammanco, Palermo's chief prosecutor. Several Palermo magistrates had threatened to quit unless he was replaced after the murders of judges Giovanni Falcone and Paolo Borsellino.

Rotterdam thriving: The world's biggest port had its best April-June since 1973 despite the worldwide economic slowdown. Second quarter figures showed total cargo movements up 7.1 per cent on the same period last year at 76m tonnes.

German privatisation: Berliner Industriebank, a German state-owned business set up to develop the new capital's business and industrial base, has been sold to Weberbank, a private bank. Little for sale, Page 2; Symbols of hope, Page 12

Philippines lifts controls: President Fidel Ramos lifted all Philippines foreign exchange controls – the first time the country has been totally free of them for over 40 years. Page 4

Icebreaker tours plan: Russian icebreaker Kapitan Khlebnikov is to be refitted in Germany as a luxury liner offering Northwest Passage cruises from next summer. Two-week tours will average $13,000 (£6,800) plus airfare.

Mont Blanc landslide: Three German climbers were buried by a landslide on Mont Blanc in the French Alps. One was unhurt, the second badly injured and the third feared dead.

Workaholics' ranking: South Koreans see themselves as even more industrious than the Japanese, according to a Korean Chamber of Commerce survey. South Koreans gave work an importance rating of 39.8 out of 100, while Japanese rated their jobs at 26, Britons at 25 and US workers, 22.

STOCK MARKET INDICES

FT-SE 100:	2,325.7	(–24.4)
Yield	5.14	
FT-SE Eurotrack 100	1,049.68	(–17.33)
FT-A All-Share	1,107.15	(–1.1%)
FT-A World Index	135.13	(-1.1%)
Nikkei	15,066.34	(–451.93)
New York:		
Dow Jones Ind Ave	3,337.58	(+5.4)
S&P Composite	419.42	(+0.54)

US CLOSING RATES

Federal Funds:	3 5/16%	(3 1/8%)
3-mo Treas Bills: Yld	3.177%	(3.199%)
Long Bond	107 3/16	(107 3/32)
Yield	7.36%	(7.387%)

LONDON MONEY

3-mo Interbank	10 1/4%	(10 1/4%)
Liffe long gilt future:	Sep 97 1/8	(Sep 97 1/4)

NORTH SEA OIL (Argus)

Brent 15-day (Sept)	$19.675	(19.9)

Gold

New York Comex (Aug)	$350.4	(350.3)
London	$350.5	(350.95)

STERLING

New York:		
$	1.9315	(1.9293)
London:		
$	1.927	(1.9295)
DM	2.8275	(2.825)
FFr	9.5675	(9.555)
SFr	2.5375	(2.535)
Y	246.75	(246.0)
£ Index	92.1	(92.0)

DOLLAR

New York:		
DM	1.46325	(1.46755)
FFr	4.949	(4.963)
SFr	1.3135	(1.315)
Y	127.925	(127.5)
London:		
DM	1.467	(1.4845)
FFr	4.965	(4.9525)
SFr	1.317	(1.3135)
Y	128.85	(127.45)
$ Index	69.3	(60.2)

Tokyo close Y 127.92

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht60
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L8000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

Tokyo studies measures to stem market slide

By Gordon Cramb and Emiko Terazono in Tokyo and Peter Norman in London

MR TSUTOMU HATA, the Japanese finance minister, yesterday promised to look into further support measures for the Tokyo stock market after shares shed 2.9 per cent of their value in a third consecutive day of selling.

The fall in Japan set the tone for a day of stock market gloom across Europe and prompted a shaky start on Wall Street, although US shares finished the session modestly higher.

Mr Hata was responding to business leaders' disquiet as the Nikkei average fell below 15,000 for much of the day. He said he had instructed the ministry's securities bureau to consider what actions it could take.

He acknowledged that apart from a poor corporate earnings outlook, one factor dragging the market down was an increase in non-performing loans on the banks' books. But he insisted its size was "not big enough to shake Japan's overall economy".

Although the Nikkei, which represents Japan's 225 top quoted companies, recovered to 15,066.34 by the close after touching 14,929.55, it was still down 451.93 on the session. Volume, at 200m shares, was relatively high for the start of a week in which many participants take holidays.

In Britain, the FT-SE 100 index fell to an 18-month low, losing 24.4 to 2,325.7. Germany's DAX 30 index lost 26.95 to 1,582.55, its lowest level since January 8. Other continental bourses reported even sharper losses, with the Milan and Oslo stock markets both losing 2.6 per cent of their value. On Wall Street, the Dow Jones Industrial Average rose 5.40 to 3,337.58.

The Japanese market has not closed below 15,000 since March 1986, and some comfort was drawn from the support that this psychological threshold provided yesterday. But brokerage houses noted that private investor enthusiasm was absent.

Mr Gaishi Hiraiwa, chairman of Keidanren, the influential federation of economic organisations, said the slide reflected the fears of investors about the country's economic outlook – which *has shown few signs of an upturn* – and lack of trust in the market.

Mr Takeshi Nagano, president of the Nikkeiren employers' federation, urged the government to introduce measures to stimulate the economy on the largest possible scale.

The government has been pinning its hopes on a package of measures to be drawn up by the end of this month aimed at assisting the economy and the equity market.

Another damper has been a *dismal recent performance by Nippon* Telegraph and Telephone, Japan's biggest company. Its shares dropped a further Y42,000 yesterday, falling below the Y500,000 mark to end at Y467,000.

Markets, Back Page Section II

West agrees UN plan for use of force in Bosnia

By Judy Dempsey and David Owen

THE US last night reached agreement with Britain and France on a draft United Nations resolution to use force if needed in the former Yugoslavia.

The State Department said the draft would authorise "all necessary means to ensure the delivery of humanitarian assistance". But the US made clear later that the draft did not prescribe the use of force to open detention camps.

The text was due to be presented late yesterday to the other members of the UN Security Council. But it was not expected to be voted on until tomorrow or Thursday.

Mr Richard Boucher, a State Department official, did not specify what was meant by "all necessary means".

He said the resolution endorsed international demands for access to Serb-controlled detention camps in Bosnia.

The draft resolution emerged after four days of negotiations between the three countries, reflecting disagreement about the scope of armed involvement.

In Brussels, Nato started drawing up contingency plans to send troops to Bosnia, but senior Nato officials and other military experts voiced concern about the difficulties and dangers of committing forces to the region.

Mr Jacques Delors, president of the European Commission, called for "realistic military intervention" in Bosnia. He accused the 12 member states of a dangerous lack of resolve to tackle the crisis in the republic.

"Can the Twelve agree to develop a credible military response to demonstrate our resolve, even if we don't have to use it, or will the Twelve remain at sixes and sevens? Will we see the same sort of disagreement that has started to spring up around the treaty on European union?" he asked.

Mr Delors also outlined a six-point plan to help relieve the suffering of Bosnian refugees and prisoners.

In London, Mr Willem Van Eekelen, secretary general of the WEU, the nine-nation European grouping, said international relief convoys should be protected by European forces, but backed by US air-power. "We have to do something to stop the killing, otherwise the war will spread," he said.

There was a lull in the fighting around the besieged Bosnian capital of Sarajevo yesterday, but residents said they were running out of bread. "Our main food for the past four months has been bread, but the flour has ended," said Mr Muhamed Kresevljakovic, the city's mayor. "We don't have any more."

In eastern Bosnia, Serb irregulars continued to bombard the 38,000-strong town of Gorazde.

In London, Prime Minister John Major's office confirmed that British ground troops as well as airmen might be called upon to

Continued on Page 14
Troops fear, Page 2

President George Bush (left) welcomes Israeli prime minister Yitzhak Rabin to his east coast retreat at Kennebunkport for a two-day summit. The summit is expected to pave the way for progress on Mideast peace talks and a US loan guarantee package for Israel.

US-Israel summit paves way for Mideast peace talks

By Roger Matthews in Washington

A NEW chapter in US-Israeli relations opened yesterday as President George Bush signalled a formal end to recent tension between the two countries.

"The welcome mat is out," he told Mr Yitzhak Rabin, Israel's prime minister, at the start of a two-day summit at Kennebunkport, Mr Bush's east coast holiday home.

The summit is expected to pave the way for progress in Middle East peace negotiations and to US guarantees for loans to construct homes for Jewish immigrants arriving in Israel from the former Soviet Union.

It was the first meeting between the two leaders since Israel's Labour leader defeated his hardline opponent, Mr Yitzhak Shamir, in June's general election – a victory warmly welcomed in Washington.

"Prime minister Rabin has many friends in the US, including the man standing next to him," said Mr Bush. Mr Rabin responded that his government wished to alter Israel's national priorities and to give peace talks, in Washington on August 24, a chance to succeed.

"We would like to give a chance, a real chance, to the peace negotiations within the framework of the Madrid conference. We would like to change the order of our national

Continued on Page 14

McDonnell Douglas overhaul aims to cut costs and shed jobs

By Nikki Tait in New York

MCDONNELL DOUGLAS, the financially stretched US aerospace company, yesterday announced a large overhaul of its military and government business in an effort to reduce costs.

As part of the restructuring, it will sell or seek a joint-venture partner for its helicopter business, and close a parts plant in Columbus, Ohio, with loss of 1,000 jobs. Commercial aircraft operations of its Douglas Aircraft subsidiary will be unaffected.

McDonnell Douglas, based in St Louis, Missouri, has been buffeted by the downturn in military spending in the aftermath of the ending of the Cold war and by upheavals in the commercial airline industry.

Two weeks ago, the company announced a 51 per cent drop in second-quarter earnings, with all three of its manufacturing segments reporting lower profits. At the time, Mr John McDonnell, chairman, warned that the group would be taking "further steps to improve our competitiveness" in the coming months. "We know that the aerospace industry will be very different in five years, with the decline in military spending and the turmoil in the commercial air carrier industry," he said yesterday. "We must use our resources more efficiently and reduce our costs."

The shake-up, which splits the US operations into eastern and western halves, will place McDonnell Aircraft, McDonnell Douglas Missile Systems and McDonnell Douglas Helicopter in one division, under the charge of Mr John Capellupo, who is currently president of McDonnell Aircraft.

Mr Kenneth Francis, president of McDonnell Douglas Space Systems, will head a second division comprising the space business, McDonnell Douglas Electronics Systems, the C-17 military transport project and other military work which formed part of Douglas Aircraft.

The aerospace group said the new structure would "lead to other staff consolidations on a regional basis", but no numbers were immediately available. It is creating a new "office of the chairman", made up of five senior executives, which will decide the mechanics of the restructuring during the next three months.

As for the helicopter operations, McDonnell Douglas said the time and money required to build the business into a market leader – its stated aim is to be number one or two in all business areas – was too great.

"Therefore, we will seek a joint-venture partner that will enable us to reach that objective, or we will seek an appropriate buyer," Mr McDonnell said.

The Columbus plant which is closing makes parts for the C-17 military transport aircraft, as well as for the MD-11 and MD-80 commercial aircraft. This is the third plant McDonnell Douglas has closed recently for cost reasons. The other two were in Torrance and Culver City.

Yesterday, McDonnell Douglas shares, which slumped after the second-quarter figures were released, rallied by $2¼ to $37¼.

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Army experts fearful of sending troops to Yugoslavia

By Judy Dempsey

WESTERN military experts remain deeply unhappy about becoming involved in former Yugoslavia even though Nato officials yesterday got the go-ahead to draw up contingency plans aimed at sending troops to protect humanitarian relief convoys in Bosnia-Hercegovina.

"However much public opinion is forcing us to take the military option, any Nato involvement will have a very high financial cost," a Nato diplomat said.

"It could have a high cost in human terms as well," he said.

It would require at least 50,000 troops to open up two relief corridors into the former Yugoslav republic, he said. "Because of these large numbers, we have repeatedly asked western leaders about what objectives they want to achieve if they go in."

In terms of the financial cost, experts working with Nato believe that for every one soldier sent to Bosnia - to support the humanitarian relief effort - it would require the back-up of at least three more people.

"Sending in troops is one thing. But you have to back them up with food, communications, medicine, equipment, supplies, transport. Who is going to pay for this? Where are we going to get the troops from -if we decide to use ground forces to protect the humanitarian relief convoys. It is going to take a long time to get them stationed in Bosnia, if that is what we will be pushed into doing," another Nato diplomat said.

He also argued that Nato was simply not prepared for such an operation, even though the organisation is currently seeking to create a rapid-deployment force.

"For the past forty years, we were trained to defend Europe. We knew the terrain. Our facilities were there. We knew what the aims of defending Europe were.

"In the case of Bosnia, whether you accept it or not, we are entering enemy territory. We don't know where we can place our supplies and reinforcements. We have to be clear what we want out of this whole operation," he said.

Military experts, including United Nations officials, also worry about the future status of the UN peace-keeping forces both in the Bosnian capital of Sarajevo, and in Croatia.

"If you go in under the aegis of the UN, what happens to the UN peace-keepers on the ground? They will not be seen as impartial, said Brigadier Kenneth Hunt, a former RAF staff officer at Nato and vice-president of the London-based International Institute for Strategic Studies.

Brigadier Hunt argued that there was little point in sending in a small force to protect the relief convoys. "This has got to be a serious policy of saturation, otherwise it will be meaningless, and a disaster."

"Personally, I would opt for establishing safe havens for the refugees, and some form of air power. I would not embark on mounting an operation to protect the convoys," said Brigadier Hunt.

Mr Willem van Eekelen, secretary general of the Western European Union (WEU), the fledgeling defence arm of the European Community, agreed that safe havens should be established for the refugees - but *within* Bosnia and "before the Serbs grab even more land," he said.

These havens should be protected by the WEU, while sanctions against Serbia should be stepped up, by land and sea, with powers by individual countries to search vessels.

"We have to do something. The alternative is worse. The war could spread to the rest of the Balkans," he said.

Delors condemns EC for lack of resolve

By Andrew Hill in Brussels

MR Jacques Delors, president of the European Commission, yesterday accused the 12 EC members of a dangerous lack of resolve in their action over the crisis in Bosnia-Hercegovina.

In a passionate speech to an emergency meeting of MEPs, Mr Delors called for "realistic military intervention" in the former Yugoslav republic to prevent the "cunning and murderous strategy of the Serb leaders" spreading through the Balkans.

MEPs added their voices to the attack on member governments by fiercely criticising Britain, which holds the EC presidency, for not taking firmer action.

"Can the 12 agree to develop a credible military response to demonstrate our resolve, even if we don't have to use it, or will the 12 remain at sixes and sevens? Will we see the same sort of disagreement that has started to spring up around the treaty on European union?" asked Mr Delors, in an unscripted dig at the EC partners' disarray over the Maastricht treaty.

Mr Delors outlined a six-point plan to help relieve the suffering of Bosnian refugees and prisoners. The Commission proposals include:

- International supervision of detention camps.
- A safe corridor for the delivery of humanitarian aid - protected by military forces, if necessary.
- Aid to ex-Yugoslav republics looking after refugees.
- Temporary shelter for refugees in other European countries.
- Reinforcement of the embargo on trade with Serbia.
- Step up diplomatic action to ensure protection of human rights.

Mr Abel Matutes, the EC commissioner responsible for the region, said he was particularly worried that the embargo was being broken along the shores of the Danube and Black Sea. He called for armed inspectors to control imports to Serbia.

Mr Douglas Hogg, the UK's junior foreign office minister, met Mr Delors, Mr Matutes and European deputies in Brussels yesterday to prepare for the London peace conference to be held at the end of this month. He later flew to Moscow, where he will meet government officials before flying on to Prague on Wednesday and Belgrade on Thursday.

He missed yesterday's European parliament meeting, where a number of deputies attacked the presidency. Mr Jean-Pierre Cot, leader of the socialist group, the largest in the parliament, asked whether Britain was up to the task of handling the Yugoslav crisis.

Mr Willem van Velzen, a Dutch socialist, said discussions with Mr Hogg had been "extremely disappointing". "I'm more concerned about the victims of this conflict, but the presidency seemed more worried about the aggressors," he claimed.

MEPs also heard from representatives of the UN High Commission for Refugees and the International Committee of the Red Cross (ICRC). Mr Paul Grossrieder, of the ICRC, said his organisation was trying to maintain an objective view of the crisis, and would not make any formal statement on the detention camps until it had visited them all.

He said calls for the ICRC to supervise the camps "do not take account of the fact that our organisation is not made up of prison wardens".

A Serb soldier throws a grenade into a house in a mopping-up operation near Konjic in eastern Hercegovina

Romania confirms CIS contravention of embargo

By Virginia Marsh in Bucharest

THE ROMANIAN government yesterday confirmed that "tens of ships" displaying Commonwealth of Independent States' flags were passing up the Danube towards Serbia in apparent contravention of United Nations sanctions.

However, Mr Traian Basescu, minister of transport, said Romania has no authority to stop vessels travelling on the Danube, even if there is strong evidence they are breaking the UN embargo on trade with the former Yugoslavia.

"Romania is in exactly the same position as the European Community in the Adriatic: we have no right to stop shipping in international waters."

Mr Basescu's comments follow reports that Romania has permitted sanctions-breaking and that the chief offenders are CIS-flagged ships embarking from Ukrainian ports. The Romanian port of Galati, last week recorded around one CIS vessel a day heading for the Serbian port of Pancevo, carrying cargoes of coal, metals, cars and spare parts.

Romania, traditionally a Serbian ally, has consistently said it is respecting UN regulations. Both Mr Theodor Stolojan, the prime minister, and President Ion Iliescu have invited western observers to check Romania's compliance with the embargo, which they estimate will cost the country, up to $3bn this year.

Western diplomats in Bucharest say they do not doubt the Romanian government's willingness to co-operate. Rather, they believe the country, which has a weak customs infrastructure, is incapable of policing adequately either its borders or the Danube.

● Mr Robin Cook, shadow trade and industry secretary, has written to Mr Michael Heseltine, the president of the board of trade, urging him to reconsider the issuing of a licence to a Marks and Spencer's supplier to import clothes from Serbia, write David Owen and John Thornhill.

UN resolution 757, which was adopted on May 30 but did not come into force in the UK until June 5, prohibits the importation of goods from Serbia and Montenegro.

Germany 'unable' to defend aid convoys

Kinkel may consider cutting links with Serbia, writes Christopher Parkes

GERMANY will not be able, "unfortunately", to take part in the armed defence of aid convoys in the former Yugoslavia, Mr Klaus Kinkel, foreign minister, said yesterday.

While he welcomed the possibility of a scheme to protect shipments of humanitarian aid, he believed constitutional constraints and political problems stemming from Germany's wartime occupation of Yugoslavia probably ruled out direct participation.

He assumed that, since the US, Britain and France had brought the issue up in the UN Security Council, they would be prepared to take action, he said in a radio interview.

Officials refused to comment on what non-military contributions Germany might be prepared to make. Although funding seems the most likely means, they pointed out that Bonn had already contributed far more humanitarian help than its partners.

Meanwhile, Mr Kinkel suggested, Germany was willing to consider breaking all diplomatic links with Serbia and other means of increasing pressure for an end to the war.

A European conference in London on August 26 would discuss further tightening the trade embargo, especially on land routes, and the exclusion of Serbia and Montenegro from all international organisations.

Mainstream German political opinion, while solidly against any outside military involvement, has hardened in the past few days, following the transmission of pictures of prisoners in Serbian internment camps. Many leaders are now resigned to the view that action will ultimately be necessary, although an opinion poll yesterday showed a 77 per cent majority against intervention.

Mr Björn Engholm, the leader of the Social Democrat (SPD) opposition, yesterday rebuked party members for breaking ranks and calling for military action.

However, even he suggested that in extremis his party might accept German participation under strict control and conditions.

Chancellor Helmut Kohl, who spoke at the weekend of "concentration camps" and "genocide" in Bosnia, said he would immediately reopen talks on German military involvement in the event of the UN approving an all-out blockade against Serbia.

Germany's limited contribution in the aerial and warship-based monitoring of Adriatic sea routes is to be examined in the constitutional court in Karlsruhe following an appeal from the SPD.

The US yesterday secured the backing of over 30 countries for an unprecedented extraordinary session of the UN Human Rights Commission on human rights abuses in Bosnia-Hercegovina and elsewhere in the former Yugoslavia. Agreement of 27 countries was required to call the session of the 53-member commission, which will meet in Geneva next Thursday and Friday, Frances Williams writes from Geneva.

A US-drafted resolution, with western backing, draws attention to "gross violations" of human rights in the region, calls for immediate access to detention camps for the International Committee of the Red Cross, and mandates the UN secretary general to appoint one or more special representatives to investigate human rights abuses.

Last week Washington said it had begun discussion at the UN on a Security Council resolution on war crimes, which would make the states of the former Yugoslavia as well as individuals punishable for violations of international humanitarian law.

Options for Czechs and Slovaks set out

THE head of the State Bank of Czechoslovakia says two currencies would be possible if the Czech and Slovak republics become separate states, but the states could also have one currency with the necessary financial and budgetary co-ordination, *AP-DJ* reports from Frankfurt.

Mr Josef Tosovsky said in an interview published yesterday in the Slovak daily "Smena" that the introduction of separate Czech and Slovak currencies would have to be by "legal means".

"The change in state set-up is by a definite political decision, a political move, which would be necessary to realise by a definite means in monetary policy," Mr Tosovsky said.

At the same time, Mr Tosovsky said that separate states with a joint currency or an agreement for a monetary union would require a co-ordinated financial and budgetary policy "for such a close economic union".

"Both partners would have to surrender their sovereignty roughly in the sense that European states intend to surrender it in the framework of the proposed monetary union," Mr Tosovsky said.

"The agreements in Maastricht are in that regard inspirational."

Czech and Slovak political leaders have ordered the parliaments of the two republics to devise a plan for a new federal structure by September 30.

Economists say that a split in the currency, the koruna, is likely if Czechoslovakia is divided in two, because of wide differences in the economies of the two republics and the economic policies of their governments.

Warsaw rejects subsidies

THE Polish government, under pressure from organised labour to ease tough free market policies, rejects subsidies for struggling state factories, Mr Zdobyslaw Milewski, the government spokesman, said yesterday, Reuter reports from Warsaw.

"The government will not bring back subsidies for state enterprises," he said.

The former communist trade union OPZZ decided last weekend to support pay demands at a copper combine where workers have been on strike for three weeks.

It threatened a general stoppage if the government refused to open negotiations with the strikers.

The union called for a 15-minute cross-country warning action yesterday to build up pressure on the goverment but according to radio reports the response among workers was weak.

Mr Milewski said the government had presented a plan to speed up changes of state enterprises to help them adapt to market-oriented policies but that it could not decide about pay issues.

Eye-catching but with little for sale

German privatisation will be slow, writes Christopher Parkes in Bonn

THE window-dressing for the recent re-opening of Germany's privatisation programme was certainly eye-catching. But for all the promotional build-up, the government had precious little to offer for immediate sale.

Finance minister Mr Theo Waigel unveiled plans to press on with the sale of "a good two dozen" state concerns, against a backdrop that plugged Deutsche Telekom, the telecommunications network, as "the people's share of the 90s". Mr Waigel warned, however, that privatising Telekom would require a change in the constitution. That could take years.

The government also promised to sell off its remaining 51 per cent stake in Lufthansa, the state airline, "as soon as possible". But, as the Finance Ministry pointed out, stock markets are not in the best of condition at the moment. Nor is the airline: it lost DM600m ($405m) in the first five months of this year.

In fact, Mr Waigel's slender inventory, approved by the cabinet last week, included only odds and ends: the Mon Repos convalescent home in Davos, Switzerland; Bonn's holdings in the federal network of motorway filling stations and cafes; and an array of consultancies, house-building concerns and canals.

The latest initiative, which follows the finance minister's declaration earlier this year that privatisation must proceed "without taboos", suggests that the final stage of federal withdrawal from commerce is approaching.

Waigel: a slender inventory for privatisation

His initial task is to convince the opposition Social Democrats, especially those representatives of the independently-minded Länder sitting in the Bundesrat, or upper house, that privatisation is both politically and economically necessary. The Bundesrat holds the power to block constitutional changes necessary before Telekom and the railway network can be freed from state control.

Encouragingly, the opposition minority in the Bundestag is already tilting in favour of change. Mr Arne Börnsen, the SPD's postal services spokesman, admits that the SPD's "ideological barriers to privatisation" are coming down. Mr Bjorn Engholm, the opposition leader, has gone so far as to write to Mr Helmut Kohl, the chancellor, urging rapid reform of the railways and offering unspecified support for constitutional amendments.

However, SPD opposition outside the Bundestag remains deep-seated. A recent suggestion from the monopolies commission (an independent group of parliamentary advisers separate from the cartel office), that banks owned by the Länder should be privatised, was promptly rejected by most of the 16 state prime ministers. The mostly SPD-controlled Länder governments also hold substantial stakes in assets such as airports, insurance companies and utility groups, which have considerable importance as symbols of the federal states' independence.

Before Mr Engholm can fully endorse Mr Waigel's plans, the SPD must also find ways of damping resistance among its traditional supporters in the trade unions. They fear job cuts and the loss to many members of their treasured civil service status – and their effective right to jobs for life.

Mr Waigel's response to opponents is that business is not a job for politicians. But there are other, more powerful, forces behind his renewed campaign. The government has long been convinced that telecommunications, in particular, needs to be privatised to become a more effective international competitor.

However, the crucial factor behind the renewed drive is the financial strain of unification. This threatens to push up total state debt from its current level of DM1,300bn to DM1,900bn ($1,280bn) by 1995. With some 20 per cent of annual west German output now being transferred to the east, the Finance Ministry wants to place as many of the country's productive resources as possible into efficient, tax-paying private hands.

The loss-making railways alone expect debts and accumulated losses of almost DM420bn by the end of the decade. According to Mr Günther Krause, transport minister, merging the eastern and western networks into a public limited company – to be called Deutsche Eisenbahn – freeing it from direct government control, and allowing at least partial privatisation, will almost halve the expected burden on the state.

Profitable Telekom – which at present has to contribute the equivalent of 10 per cent of its annual revenues to finance deficits elsewhere in the Bundespost system – is expected to borrow DM17bn this year alone to fund the installation of new connections in the east. The estimated total cost of upgrading the former GDR is DM60bn.

As budgetary pressures continue to build, it seems likely that the Länder may undergo a change of heart. Under the treaty of unification, they are committed to take over a substantial proportion of the costs of unification from Bonn, starting in 1995. The already heavily-indebted state governments have also been told by Bonn to freeze public spending for the next four years.

Experience and the remaining constitutional hurdles suggest progress will not be quick. Germany began its phased exit from a handful of industrial enterprises in 1959, and managed to finish it just 30 years later.

Even so, that experience has given Mr Waigel some fine examples to demonstrate the benefits of state withdrawal from commerce – the former state-controlled conglomerates, Veba and Viag, engineering group Preussag, and Volkswagen, the vehicle maker, today rank among the 20 biggest and most successful companies in Germany.

Tough year for airlines

By Daniel Green

EUROPE'S airlines face a tough second half, with the recovery from last year's Gulf war-induced fall in passenger numbers slowing, the 23-member Association of European Airlines (AEA), warned yesterday.

The improvement over 1991 would drop from 18.4 per cent in the first six months to 7.5 per cent over the second half of the year.

Traffic to South America and the Middle East continued to grow in the first half; that to Africa and Asia remained static at 1990 levels.

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Ter-Petrosian claims republic penetrated by Azerbaijani forces

Armenia appeals for CIS aid

By John Lloyd in Moscow

ARMENIA was yesterday appealing to other members of the Commonwealth of Independent States to take economic, political and even military measures against the neighbouring republic of Azerbaijan, according to Armenian spokesmen and news agencies.

Mr Levan Ter-Petrosian, the Armenian president, was reported to have appealed to the six members of the CIS collective security pact after Azerbaijan troops allegedly penetrated into the Armenian district of Krasnocelsk, to the north-east of Lake Levan. Both sides also reported the capture by Azerbaijan forces of the tiny Armenian enclave of Artsvashen within Azerbaijan – with a loss of life estimated at between 22 and over 300.

The daily Izvestia reported from Yerevan, the Armenian capital, that aircraft from Azerbaijan had dropped bombs on the district centre of Goris. This is near the Armenian-Azeri border and the base from which the Armenians launched a successful attack earlier this year to secure a land corridor between Armenia and the enclave of Nagorno-Karabakh in Azerbaijan.

Volunteers in the Armenian enclave of Artsvashen inside Azerbaijan prepare for battle

Azerbaijan yesterday dismissed the Armenian charges and said it had no fear that fellow CIS states would join the conflict on Armenia's side. However no confirmation was available yesterday of Mr Ter-Petrosian's call being received by other members of the security pact – who also include Russia with four central Asian states. In effect, the call is for Russian protection – as Russia retains an army in Armenia and none of the other members of the pact would have the independent armed force to intervene.

However, even Russia, the traditional protector of Armenia in its feuds with neighbouring Moslem nations, would be highly unlikely to respond to the call with military sanctions. The six-nation pact was concluded in Tashkent, capital of Uzbekistan, in May this year – committing each of the states to come to each other's aid if attacked.

Meanwhile, Azerbaijan's foreign minister arrived in Ankara yesterday for talks on his country's conflict with Armenia on the disputed enclave of Nagorno-Karabakh and on ways of boosting co-operation with Turkey, Reuter reports from Ankara.

Russian capitalists inherit social mantle cast off by the state

John Lloyd reports on signs of a growing private sector culture

NOTHING could have been more bourgeois. A rugby match on a fine evening, with a little clump of spectators in a rather dilapidated ground.

Bourgeois is what it was meant to be. The match's main spectator was Mr Vadim Polovnikov, president of the local team – Rostov-on-Don "Enpils" – and managing director of the Enpils chemical company. Round him was much of the private sector of Rostov-on-Don: representatives of the new class which is now reaching for some status and security in a society still dominated by the state. Rugby, the middle-class ball game of the west, is being used to help in that quest.

Mr Polovnikov's company, an amalgamation of factories making paints, chemicals, medicines and building materials, went private last year by making over the shares to the managers and the workers.

By becoming the first major private company in this southern Russian river port, Enpils and Mr Polovnikov are at the centre of a slowly growing web of private sector alliances. He is also president of the Union of Businessmen and Leaseholders. The vice-president, Mr Vladimir Nikolsky, has founded some half dozen private companies with help from Enpils.

Many of the businessmen at the rugby match have founded businesses which supply services to Enpils. These men are together a great deal: their circle has the air of a slightly embattled yet modernising group establishing new customs. Some have recently been to the US, all for the first time.

Their conversation already bears traces of a new in-group with their own concerns. They are discriminated against in prices – the state companies pricing down in supplies to each other, pricing up to the private sector. Mr Victor Gerashchenko, the Russian central bank chairman, last week proposed that credit be advanced to the bankrupt state sector at 10 per cent, "and we would still pay 80 per cent or more," snorts Mr Polovnikov.

They have protectors: the Rostov regional soviet is pro-business. Mr Vladimir Emilianov, the first deputy head of the administration, says that "we want to develop private companies: as the state structure fails, we want the private sector to grow and take its place". But money is lacking; the state sector is huge; there are few competent managers or bureaucrats; the fear of social unrest is deep.

It is precisely the unease over the social position of the new businesses which impel them in a direction quite different from the "classic" western model. Though Enpils has decentralised its various plants into separate profit centres, it is taking on a range of social responsibilities. It is building flats for its workers, is managing kindergartens, has a school, is building a swimming pool, has donated substantial sums to the impoverished local hospital. The Soviet-era big companies traditionally did much of this – a fact which makes it even harder to declare them bankrupt. But Mr Polovnikov is doing more than his state colleagues, not less.

He is the town's major sponsor. He funds the rugby club; the youth theatre and the International Children's Theatre Festival. He funds a new choir and is putting money into the reconstruction of the cathedral's bell tower. He wants people to see that private enterprise can sustain them and their culture as well as the state, with the result that he now has a whole range of dependents, all of whom laud him loudly. His circle is a little like a court – quite usual in Russian business.

The growth of "business" – the English word is used as a synonym for capitalism – coincides with the progressive collapse of the state, both as a controlling medium and as a social protector. To give themselves legitimacy, the new businessmen are taking upon themselves a mantle which the state is shedding.

Gerashchenko: proposing cheap credit for public sector

They are also reaching back into history for legitimation and in Rostov, that means back to the Cossacks, the descendants of originally outlawed frontiersmen who, on the Don and the Volga, established settled communities of farmers who continued a military tradition.

Mr Nikolsky, a vigorous man in his early sixties, was last year received into the Rostov Cossack district. The Cossacks are also an object of Mr Polovnikov's charity: their weekly paper carries on its masthead the name of the company or companies sponsoring that edition. Since they were private farmers, they now push for the privatisation of land; and since the new capitalists must find a tradition before the Soviet one in which to wrap themselves, they take them up. Mr Vladimir Popov, the elected attaman of the Rostov Cossacks, is at the rugby match, too: when he mentions that he cannot attend a grand meeting of attamans in Moscow because of the expense, Mr Nikolsky assures him the expenses will be taken care of, and he should go.

Mr Polovnikov's team, perhaps drawing on a Cossack tradition of anti-Muscovite revolt, has beaten the visiting Moscow Spartak by 79-3. As they move towards their cars, the Rostov capitalists could almost be the executive committee of a Rotary Club after an outing. So they would like to become. "Normal businessmen," as they say of themselves. But not yet, for all the show they are still precarious, still at the frontier.

Economic reforms 'hinge on arrears'

By Leyla Boulton in Moscow

THE survival of Russian economic reforms depends on the outcome of a dispute on how to deal with Rbs2-3 trillion (million million) in arrears between state enterprises, Mr Sergei Ignatiev, a deputy chairman of the central bank, said yesterday.

Mr Ignatiev, responsible for credit policy, said that contrary to reports last week, there had been no final decision on the release of large-scale credits to state enterprises. He also revealed deep divisions within the central bank and with the government since Mr Viktor Gerashchenko was appointed central bank chairman.

He defended the record of the radical reformers in the bank and the government, and said, for instance, that a shortage of banknotes which was the main source of popular discontent was now virtually solved.

Mr Ignatiev said: "It is not so much ordinary people but enterprise directors and various lobbies who have different reasons for wanting to remove Yegor Timurovich [Mr Gaidar, the acting prime minister and a leading proponent of radical reform]."

He added that he was not sure whether he himself would be kept on by Mr Gerashchenko, who had appointed a host of new deputies from his old days as Soviet central bank chief.

At issue was whether the government would be able to pursue its original plans for dealing with enterprises that have continued to trade with each other without demanding payment. "It's enterprises' fault if they don't have any money. We need to impose discipline so that creditors act responsibly and don't send goods to enterprises which cannot pay for them. Otherwise enterprises will behave like before and non-payments will grow again."

Mr Gerashchenko had last Thursday withdrawn instructions which countered a presidential decree in June by President Boris Yeltsin on how to handle the debt crisis. The decree stipulated that net creditors would be repaid, if it all, from the liquidation of assets or the sale of debts of other enterprises.

An agency for managing enterprise debts would effectively decide the fate of enterprises on a case by case basis.

Prof Yevgeny Yasin, the godfather of the government's medium-term economic programme, explained that a differentiated approach was required because net debtors were not necessarily more "guilty" than the net creditors.

The instructions issued and then cancelled by Mr Gerashchenko would have automatically compensated enterprises that emerged as net creditors, a move which according to Mr Ignatiev would have cost anywhere between Rbs500bn and Rbs1.5 trillion in inflationary financing.

Republics take refuge in soap

A Mexican TV saga is enthralling the former Soviet Union, writes **Leyla Boulton**

WHEREVER the Mexican ambassador goes in the former Soviet Union, the burning question he is asked by presidents, foreign ministers and ordinary people alike has nothing to with diplomacy. They want to know what happens at the end of a soap opera called The Rich Also Cry.

An estimated 140m TV viewers from Belarus to Russia's far east have fallen prey to this chronicle of the love and torments of Luis Alberto and Marianna, a handsome upper middle-class couple with lots of money and problems.

The 248-part "telenovella" (there is no word in Russian for soap opera), on the air three times a week, has become a common obsession for republics striving to be independent in every other way.

"They all want to know how it ends but I can't tell them because I haven't seen it," confides Mr Carlos Tello, ambassador to all the former Soviet republics apart from the Baltics. "But I tell them that logically it must have a good ending because in Mexican soap operas the bad people have to lose and the good people have to win."

Not since Soviet factories came to a standstill to watch the country's first independent sessions of parliament under President Mikhail Gorbachev has television had the power to stop a great nation in its tracks. At a time when the novelty of glasnost has worn off and people are fed up with politics, the programme offers half an hour of escape to people ground down by economic hardship.

"It's wonderful," exclaims Ms Olga Kovolyova, a teacher in her 40s. "For a while I can forget all the troubles of my life in Moscow. The people are beautiful, the houses are grand. They never have to worry about cooking or buying food, and wrongdoing is punished, which never happens in our life."

The sets are prosaic and the acting over the top, but the plot is grippingly simple. Love triumphs, even though men can be blind and evil temporarily gains the upper hand. This week for instance, Marianna has finally found the son she gave away to a lottery ticket seller 18 years ago (this happened when she was in a state of delirium three weeks ago).

Now she has to find a way of telling the lottery ticket seller, whose life she has just saved, that she wants her son back. She also has to convince Luis Alberto, who caused her to give away the child by not believing it was his, to drop charges against their son without yet telling him that the boy who broke into their house was the infant she gave away.

Despite the embarrassing 1970s style of dress and the simplistic dialogue, it all looks and sounds good to Russians. Even the poor have nice flats.

"This has a comforting effect on viewers. They want things to be such in their own lives," says Ms Maria Starostina, deputy head of programming at Ostankino, which beams programmes all over the Commonwealth of Independent States. The series is the second or third most watched programme after a game show called Wonderland and the evening news.

Both Ostankino and the Mexican embassy have been flooded with thousands of fan letters, including a 24-page poem from Belarus.

Is there life after The Rich Also Cry? Perhaps. The Russians are now negotiating to obtain the rights to that other blockbuster, Dallas.

UN envoy set to urge troops for Somalia

By Julian Ozanne in Nairobi

THE United Nations special representative in Somalia is expected to recommend that troops should be sent to protect relief operations in the war-shattered country, with or without the agreement of the warring factions.

A potentially far-reaching UN precedent would be established should the Security Council act on the recommendation and decide that humanitarian considerations override claims of sovereignty made by fighting warlords.

The size of the force has yet to be agreed but UN Ambassador Mohammed Sahnoun has concluded that it is now essential to send at least a limited military presence to Somalia to avert tens of thousands of deaths from starvation.

The shift in UN attitudes came as Mr David Andrews, the Irish foreign minister, arrived in Mogadishu yesterday for a three-day assessment visit.

Unicef, the UN children's agency, also said yesterday it had airlifted emergency medical supplies to four towns where malnutrition rates among children were 80 per cent and up to 15 children were dying in each town every day.

Mr Sahnoun has said that at least 7,000 armed UN guards must be dispatched urgently to protect and escort relief personnel and food convoys. Without the approval of all sides, a limited military intervention with purely humanitarian objectives is now envisaged to secure the international airport and port in Mogadishu and to establish some safe relief corridors.

A UN team now in Somalia investigating how to get better security for an expanded relief effort is due to report to the secretary general by the weekend.

The Security Council will consider its report before taking the final decision on whether to approve the sending of UN troops. Pakistan, Indonesia and Canada have already placed soldiers on stand-by for the operation.

Mr Sahnoun is apparently now trying to twist the arm of General Mohammed Farrar Aideed, the warlord who controls Mogadishu south and who has threatened that he will shell UN troops who enter the country without his approval. The ambassador is telling the general that it would be much better for him to agree to a limited UN military intervention than face an intervention going ahead without his approval.

The decision to send troops in a limited operation is likely to heal rifts among UN officials over what to do about Somalia. Officials in the secretary general's office have been pressing hard for full-scale military intervention in Somalia.

Mr Sahnoun has been cautioning New York that such an action could be counter-productive for relief efforts if troops faced possible violent opposition to their presence in the country.

It is now, however, recognised by all sides that military intervention is the only possible way to ensure food aid reaches the needy instead of ending up in the hands of bandits or merchants who are diverting relief supplies on to the market.

But internal division in the UN is continuing to hold back the relief effort.

Mr Sahnoun, who has achieved tremendous progress in gearing up the UN relief effort since he was appointed by the secretary general in April, is handicapped by lack of staff and resources from New York. His repeated requests for additional assistance have not been met.

Observers say he is still working without the necessary support and is dependent on the other UN agencies for transport and assistance. By comparison, Mr Cyrus Vance, the recently appointed special envoy to South Africa, has a full staff.

Buthelezi hints at Inkatha pull-out

By Philip Gawith in Johannesburg

CHIEF Mangosuthu Buthelezi, leader of the Inkatha Freedom party, yesterday cast doubt over the future participation of the mainly Zulu party in constitutional talks.

Speaking to the board of directors of the Afrikaans publishing house Perskor, he said Inkatha would not return to the Convention for a Democratic South Africa (Codesa), the constitutional negotiating forum, "as things stand now".

Chief Buthelezi did not himself take part in Codesa, in protest against the exclusion from the talks of the Zulu king. Inkatha, however, was represented. Although the party is seen more as a regional power in Kwazulu/Natal than as a national political player, any constitutional talks without them would be fatally flawed.

Voicing disquiet that negotiations between the government and the African National Congress (ANC) threaten to marginalise Inkatha, Chief Buthelezi criticised President F.W. de Klerk, saying: "I do not quite know how to read Mr de Klerk at the moment... He gives evidence of following appeasement politics towards the ANC in order to please the international community."

The Inkatha leader's comments are clearly a warning to the government that his party will not play ball if it feels the ANC and government are hijacking the negotiations process behind closed doors. He described possible bilateral talks between the ANC and government as a "threat to democracy".

Chief Buthelezi said Codesa was not fully representative and called for a more broadly based negotiations process in which not only political parties – as was the case with Codesa – are represented.

Codesa's activities have been suspended for two months because of the constitutional impasse between the government and the ANC.

These parties appear close to resuming talks, though there is general consensus that Codesa structures will have to be amended to function more efficiently.

● Meanwhile, the South African government said yesterday it was studying proposals by a judge probing township violence for a general amnesty and a mandate to investigate fully both the security forces and black guerrillas, Reuter reports from Johannesburg.

Judge Richard Goldstone made a call on Saturday for a neutral body to investigate the white-led police and defence forces and the military wings of the ANC and black radical Pan Africanist Congress.

"We will study it in detail and will react at a later stage," the Law and Order Ministry said.

Political sources expected no detailed response until after Wednesday's weekly cabinet meeting.

Addressing black suspicion of the security forces and white fears of the ANC's armed wing, Umkhonto we Sizwe, Judge Goldstone also proposed a general amnesty to enable his independent commission to investigate their activities better.

UN experts returning yesterday to their hotel in Baghdad after a second day of searches for Iraq's weapons of mass destruction after US officials had warned that Washington would deal swiftly with any stalling by Baghdad, agencies report. For the first time since the UN Special Commission started work 41 missions ago, the team leader – Mr Nikita Smidovich – did not say where or how his inspectors were working in their efforts to track the weapons. Tension surrounding the team's work is high because of Iraq's latest warning that it will block access to ministry buildings. That followed an Iraqi pledge of better co-operation after the last UN mission was barred from the Agriculture Ministry in July.

Taiwan loans to China curbed

THE Bank of Taiwan, Taiwan's largest state-run commercial bank and issuer of the republic's currency, yesterday announced that it was freezing all its loans involved with investment in mainland China, AP-DJ reports from Taipei.

The bank said that any loans with links to mainland investment – especially those for public construction projects in mainland China – would be carefully reviewed.

David Yu, research manager at Wardley James Capel Taiwan, said the decision was believed to have been authorised by the government.

The manager stressed that such a decision contradicts the Taiwanese government's internationalisation principle, "but maybe it can keep the capital flowing out, a decision not bad for the stagnant local stock market".

Mozambican raid leaves five dead

Mozambican rebels killed five people, wounded 12, and kidnapped more than 100 in a raid on the outskirts of Maputo, Radio Mozambique said yesterday, Reuter reports from Johannesburg.

The raid followed the signing in Rome on Friday of a pact between President Joaquim Chissano and Renamo leader Afonso Dhlakama which set October 1 as the target date for a ceasefire.

Australia to press *on with airline sale*

THE Australian government has indicated it will go ahead with a sale of Qantas, the state-owned carrier, and Australian Airlines to raise up to A$1.75bn (US$1.3bn), writes Emilia Tagaza from Canberra. The ruling Labor party had earlier decided to merge the two airlines and sell 49 per cent of the merged entity.

Two overseas airlines – British Airways and Singapore International Airlines – have shown interest in bidding for the share but have indicated that the government's valuation was too high.

Kabul comes under rocket fire

A dissident mujahideen group yesterday launched its heaviest rocket bombardment on Kabul since the Afghan capital fell to the guerrillas in April, Reuter reports from Kabul.

More than 650 rockets rained down on Kabul in the first 90 minutes of the assault, which began at first light from positions held by the radical Hezb-i-Islami party, a military expert said.

Sri Lankans stone ministers

Thousands of mourners hurled stones and abuse at Sri Lankan government ministers at the funeral yesterday of a popular general killed in a weekend landmine explosion, Reuter reports from Colombo.

At least 15 people, including two ministers and some soldiers, were injured. Police in riot gear fired shots and teargas into the air to disperse the crowd of more than 100,000 surrounding top military men and politicians at the Colombo funeral.

Denzil Kobbekaduwa, posthumously promoted to lieutenant-general from major-general, was killed with nine other people in the blast in northern Jaffna on Saturday.

Hassan paves way for elections

King Hassan asked his government to resign yesterday and make way for a new administration which will supervise Morocco's first general election in eight years, a senior government source said, Reuter reports from Rabat. A new prime minister is expected to be named within 24 hours. The election is to begin in the autumn.

The centrist government of Prime Minister Azeddine Laraki, an independent, was formed seven years ago with a majority of independents and about a dozen ministers representing four political parties.

Togo poll attack

An armed attack on computerised election records could delay a referendum on Togo's new multi-party constitution, transitional Prime Minister Joseph Kokou Koffigoh said yesterday, Reuter reports Abidjan.

Koreas agree on new links

NORTH and South Korea yesterday narrowed the cold war gap, agreeing a framework for re-establishing land, sea and air links in a unified nation, Reuter reports from Seoul.

Seoul's South-North Dialogue Office said 16 points, including transport links, had been agreed during two hours of talks between the communist North and capitalist South at the border village of Panmunjom.

But scores of differences still remain between the ideological foes before they can sign a full economic pact.

"Both Koreas reached final agreement on 16 items concerning mutual economic exchanges and co-operation which are included in an accord to implement the non-aggression and reconciliation pact," the office said.

The agreements included the re-opening of railways and roads, sea and air routes and the relinking of mail services and other communications.

The two sides also agreed to forge scientific, technological and environmental exchanges and co-operation once the border re-opens. The two sides meet again on August 21.

Direct links between the two Koreas were cut after the bitter 1950-53 Korean war, which ended in an uncertain truce.

The prime ministers signed a non-aggression pact last December and launched regular talks aimed at putting the accord into practice. But progress limped to a halt when a bitter row erupted over the South's demand to inspect nuclear facilities in the North.

The first victim of the nuclear impasse was a reunion programme for families divided by the war, which was due this month.

The two Koreas agreed in May to allow cross-border visits by a handful of elderly Koreans separated from their families by the 1945 division of the Korean peninsula.

But the humanitarian exchanges have been held to ransom by the nuclear issue, and talks collapsed last Friday.

The next day, South Korean news media said Seoul might suspend plans to send deputy premier Choi Kak-kyu and a mission of businessmen and government officials to the North to study joint ventures and economic co-operation.

Philippines lifts foreign exchange controls to attract investment

By Jose Galang in Manila

THE Philippine government yesterday announced the dismantling of foreign exchange controls on current transactions, in an effort to attract more foreign investment that could support future economic growth.

The liberalisation, announced jointly yesterday by President Fidel Ramos and Mr Jose Cuisia, governor of the Central Bank, was approved by the policy-making Monetary Board on Friday.

The move will allow the free flow of foreign exchange and gold into and out of the Philippines by both residents and overseas investors. It will also remove the requirement that foreign exchange earned abroad by Philippine-based commodity and service exporters should be sold to Manila banks.

Foreign exchange earners will also be allowed to spend their dollars "freely", once implementing guidelines are put in place by the Central Bank, without having to secure prior approval from the bank. Since January, dollar-earners have been allowed to use freely up to 40 per cent of their foreign exchange earnings, from only 2 per cent previously. In addition, Philippine residents investing abroad will now be allowed to buy $1m a year from local banks.

Mr Ramos said the liberalisation,

Ramos faces press yesterday

which continued measures initiated last year by former President Corazon Aquino, "gives meaning and substance to what I said: that deregulation is one of the key reforms to revive our economy."

The liberalisation, Mr Cuisia said, was "encouraged" by an easing in the pressure on the peso rate against the US dollar and by a notable increase in foreign exchange inflows, mainly from remittances of Filipinos working abroad and income from tourism.

At the end of July, gross international reserves of the Central Bank amounted to approximately $4.2bn, representing nearly three months' worth of imports. The reserves hit a peak in April of $5.5bn, which enabled the Philippines to buy back $1.26bn of its foreign debt at a discount of 48 per cent.

The overall balance of payments position for January-April showed a surplus of $356m, up by some 26 per cent over the year before.

Also providing a boost was the elimination of a big source of Central Bank losses. It recently unwound $800m worth of swap contracts that it entered into in the 1980s to assume foreign exchange risks on loans secured by local companies.

All these, according to Mr Cuisia, had made the bank confident of staving off any speculative attack on the peso and paved the way for the liberalisation efforts.

Since the start of this month, the peso value has been determined through off-floor interbank trading. Instead of declining, as earlier feared, the peso rate against the dollar had since risen, and the easing of the foreign exchange controls could, according to some bankers, even push it up further.

Ramos aide resigns over mining taxes

By Jose Galang

MR Peter Garrucho, the chief aide of Philippine President Fidel Ramos, has resigned over policy differences on mining taxes.

Mr Ramos yesterday said he had accepted the "irrevocable" resignation of Mr Garrucho, who was his executive secretary and key adviser on energy affairs.

On July 3, only days after the Ramos administration assumed power, Mr Garrucho signed an order instructing the Bureau of Internal Revenue to refund Pesos 2bn ($82.6m) to mining companies, representing earlier payments of value added taxes from which, Mr Garrucho ruled, they were exempt.

The BIR differed, however, and brought up the matter with Mr Ramos, who apparently was not consulted by Mr Garrucho before the order was issued.

The resignation raises for the administration the awkward prospect of a cabinet upheaval after only five weeks in office.

Mr Ramos has picked Mr Edelmiro Amante, now a member of the House of Representatives, as Mr Garrucho's replacement.

Wide support for chemical weapons ban

By Frances Williams in Geneva

A PROPOSED international treaty outlawing chemical weapons will eventually command near-universal support, despite objections to aspects of the final draft by some developing countries, the chairman of the negotiating committee predicted yesterday.

Mr Adolf von Wagner, chairman of the Ad Hoc Committee on Chemical Weapons of the UN Disarmament Conference, told reporters he was confident that the treaty "will have universal adherence – minus very few". The final draft was completed last Friday after 24 years of negotiations.

The treaty bans use, production and stockpiling of toxic arms, provides for the destruction of existing weapons stocks over ten years, and institutes a strict verification regime.

The US and Britain are among more than 50 countries which have said they will sign the treaty, which needs 65 ratifications to come into force.

Harbin remembers medical atrocities

By Yvonne Preston in Harbin

THE most notorious site at Harbin, in north China, lies 20km south of the city in the village of Pingfang, where a secret Japanese research establishment experimented on living human beings from 1936 until the Japanese surrender in August 1945.

During that time at least 3,000 people, mostly Chinese, Russians, Mongols, and Koreans, were injected with deadly viruses, exposed to poison gas, frozen slowly to observe the effects of frostbite, and dissected alive.

Unit 731 of the Japanese army was assigned to germ warfare research, exposing people in north China, then the puppet Japanese state of Manchukuo, to plague, dysentery, anthrax and tuberculosis.

When the Americans reached Pingfang at the end of the war, they freed the perpetrators of these terrible crimes in exchange for all the research data that had been collected. None of the 3,000 Japanese officers and men was ever bought to trial. One thousand were medically qualified personnel like the commander of Unit 731, Ishii Shiro, who died in his bed in 1959.

Jing Chengmin receives foreign guests to the little museum, opened a few years ago to commemorate the victims and keep alive the memory of the atrocities committed. It is housed in what were the offices of Commander Shiro. The former headquarters building is used by Harbin Middle School number 17.

Mr Jing, of Korean nationality, speaks Japanese and Korean and receives 6,000 foreigners to the museum a year, 4,000 of them Japanese. More than 40,000 Chinese come here every year. Mr Jing says the Japanese people know about these atrocities, but not very much. The Japanese government still tries to pretend these things were not done, but "inside they know".

It has taken decades to arrive at an official Japanese acknowledgement, made last month, that the Imperial Army procured Asian women, most of them Korean, as prostitutes. To better inform the Japanese people what happened at Pingfang, a two-week exhibition was staged in Osaka in 1988.

With the collapse of Japan in 1945, Unit 731 tried to destroy all evidence of its activities, blowing up the research centre and the central prison where victims for live experiments were held. The animal houses were also destroyed but Chinese claim that, before retreating in defeat, the Japanese freed the infected animals, and 108 people in the surrounding area died of the plague.

Among live testimony, recorded on video and sold by the museum, a former Chinese forced labourer at Unit 731 recalls seeing the Japanese transport victims by rail to the camp. A former Japanese soldier with the Unit describes the horror of seeing people experimented on alive. They were tied to trees a few metres apart and a bacterial bomb was exploded beside them. "Sometimes you could not bear to watch it."

The little museum, soon to be replaced by a larger, grander and perhaps less effective building, sells souvenirs and fashion patterns, furs, necklaces, scrolls and graphic black and white photographs of Japanese war crimes against Chinese.

With suspected Nazi war criminals still being brought to trial in the west, I asked Mr Jing how he felt about the fact that no Japanese involved with the crimes against humanity perpetrated at Pingfang had ever came to trial. "We should let bygones be bygones," he said. "This affair is history."

MIYAZAWA BACKS EMPEROR'S CHINA TRIP

MR Kiichi Miyazawa, the Japanese prime minister, yesterday made clear his determination to go ahead with a proposed visit to China by Emperor Akihito in the face of opposition from both left and right in Japan, Gordon Cramb reports from Tokyo. He sanctioned a trip expected to take place in October and last nearly a week.

The visit, intended to mark 20 years of normalised relations between the countries, would be the first by a head of state from the Group of Seven industrialised nations since the Tiananmen Square massacre of June 1989.

Heads of government led last year by Mr Toshiki Kaifu, Mr Miyazawa's predecessor, have made the journey since then. An imperial tour is more controversial, however, because it would be undertaken by a direct descendant of the dynasty, at the time held in godlike esteem, which presided over the brutal occupation of parts of China in the 1930s and 1940s.

The emperor, while thought likely to offer a form of words acknowledging the excesses of that period, is not expected to refer directly to post-war Chinese abuses.

China has been among a handful of east Asian countries to express displeasure at a law permitting the deployment of Japanese troops in United Nations peacekeeping missions, fearing a resurgence of militarism.

Similar qualms have also been aired among leftwingers in Japan, who are also displeased at attempts to endow the emperor with a more political role. The right is upset that Ziang Zemin, the Chinese Communist party chief who visited Tokyo this spring, warned against a Japanese military revival which it says a UN peacekeeping presence may presage.

NEWS: AMERICA

White House risks another clash with Congress

Call for 'Iraqgate' prosecutor rejected

By Jurek Martin in Washington

THE Bush administration risked another election year confrontation with Congress yesterday when the attorney-general rejected the House judiciary committee's request that a special prosecutor be appointed to investigate the "Iraqgate" affair.

Mr William Barr said the committee's letter of July 9 requesting he appoint a prosecutor "contains vague and general allegations and lists a number of statutes that may have been violated".

This lack of specifics, he said in a written reply to Congressman Jack Brooks, panel chairman, did not mean the case was closed but that the conditions laid down in the act, passed after the Watergate scandal and empowering the appointment of a special prosecutor, had not been met.

This is the 10th occasion that Congress has made such a request and the first rejection by an attorney-general. The authority of the act, of which Mr Barr and President George Bush have been conspicuous critics, expires in December unless renewed by Congress.

Iraqgate covers the actions allegedly taken by the administration consequent on the US "tilt" towards Baghdad, starting in the mid-1980s at the height of the Iran-Iraq war and continuing until shortly before Iraq's invasion of Kuwait in 1990.

They include fraudulent loans to Iraq channelled through the Atlanta branch of Italy's Banca Nazionale del Lavoro (BNL), the misuse of loan guarantees offered by the Department of Agriculture, and the alteration of Commerce Department export certificates to conceal the supply of arms and other technology relevant to Iraq's military development.

Throughout the congressional investigations, involving half a dozen separate committees, there have been complaints that the administration has persistently withheld evidence. Mr Barr's refusal to appoint a prosecutor will doubtless cause these to grow, although it also leaves the door open to Mr Brooks and Congressman Henry Gonzalez, chairman of the House banking committee, to make a second approach, naming those suspected of having broken the law.

The administration has countered that Congress's motives are purely political and designed to embarrass the president's re-election campaign. Similar criticism has been directed from the White House at the activities of the independent prosecutor in the Iran-Contra affair.

Republican tussle over policy

By Jurek Martin

THE Republican party's platform committee began a final round of meetings in Houston yesterday designed to resolve two controversies over the policies on which President George Bush will campaign for re-election.

On the economy, a group of prominent conservative activists including Mr Jack Kemp, the housing secretary, is pushing for adoption of more radical tax-cutting measures in a second Bush term.

A second pressure group, mostly moderate Republicans but backed by former Senator Barry Goldwater of Arizona, the old conservative warhorse, wants to modify the provisional platform's unequivocal opposition to abortion.

The seven-member Kemp group, which includes Congressman Newt Gingrich of Georgia and four Republican senators, issued a memorandum over the weekend claiming that growth could be tripled by cutting the present 15 per cent minimum rate of tax to 12 per cent and by reducing capital gains taxes to a maximum of 15 per cent and to zero for long-term investments.

Their proposals also run to a government spending freeze, broader privatisation, and cuts in entitlement programmes, not excluding social security.

Mr Gingrich said the chances were high that Mr Bush would embrace the principles, if not all the details, of the proposals in his acceptance speech to the party's convention next week.

Mr Clayton Yeutter, the domestic policy adviser, said yesterday that radical tax cutting might have to wait on progress towards reducing the federal deficit. However, in an attack on the economic policies of Mr Bill Clinton, the Democratic candidate, he accepted the importance of tax policy in the presidential campaign by again claiming that the Clinton blueprint, if enacted, would constitute the biggest tax increase in US history.

The pressure group's political concerns have long been apparent, as the memorandum makes clear. If the president "just resorts to old Republican exhortations about the balanced budget amendment or the line item veto, the American people will quickly lose interest." In practice, the platform will almost certainly contain both recommendations.

There is little chance the platform will change the 1988 commitment to outlawing abortion, except in a handful of cases. But in an attempt to show the party tolerates differences of opinion, Ms Lynn Martin, labour secretary, will give a nominating address next week. She disagrees with Mr Bush over abortion.

US raid on Iraq 'was set for August 6'

By Daniel Green

THE US called off a bombing raid on Iraq scheduled for August 6 after pressure from the United Nations, the Washington-based magazine Aviation Week and Space Technology reported yesterday.

As a UN inspection team spent its second day hunting for Iraq's military secrets yesterday, the magazine quoted a "senior Joint Chiefs of Staff official" as saying that F-117 stealth bombers, Tomahawk cruise missiles and B-52 bombers armed with air-launched missiles were to have been used against Iraq last week.

The raid was cancelled because of opposition from the UN and concerns that a confrontation last month, when a UN team attempted to inspect a Ministry of Agriculture building in Baghdad, was not serious enough to warrant a military strike.

It was the second cancellation this year, the official said. The previous planned raid, in March, was aimed at destroying Iraqi missile manufacturing plants.

The Bush administration had ordered the air force to be ready to strike quickly if Iraq resisted the next important inspection, the official added.

Such attacks would target Iraqi units and equipment near Kurdish positions in the north of the country and Shia positions in the south. They would concentrate on destroying aircraft and helicopters, some of which were used against rebel Shia positions late last month, according to western defence sources.

Other targets would include radar installations and factories for tank assembly and the manufacture of missile propellant. The US might also try to kill Iraq's President Saddam Hussein and his staff, according to the report.

The administration has been striving to keep up psychological pressure on the Iraqi regime. About 40 US warships are near Iraq and the US Air Force has dozens of aircraft within striking distance of Baghdad.

Old wounds still trouble Nicaragua

Violeta Chamorro: seeks support for programmes

Land disputes have plagued the government since it took power in 1990, writes **Damian Fraser**

AMID the lush coffee plantations of Matagalpa, central Nicaragua, about 200 peasants at the Santa Maria farm are prepared to fight rather than hand over *the land to the pre-revolutionary owner.*

"I fought for this country and now they want to take what little I have," says Mr Renaldo Garcia, a worker who has lived at Santa Maria for eight years. He and his colleagues farm a few acres of corn on the state-owned plantation, on which they depend for their daily food ration.

They will not let the old owner back to the plantation unless they are promised access to these plots.

Similar disputes have plagued Nicaragua since Mrs Violeta Chamorro and her multi-party UNO alliance defeated the Sandinista government in February 1990 elections. The right wing is livid that more land has not been given back; the leftist peasant unions are angry that their members have been turfed off theirs; and many former Sandinista army troops and their one-time Contra rebel opponents have taken up arms again after government promises of land were not kept.

Land disputes have spilled over into a fierce debate about the continued Sandinista influence in the government, a row that could topple the government. Last week, in an apparent attempt to get the US Congress to lift its hold on more than $100m (£52m) of aid, the government agreed to fire Mr Rene Vivas, the Sandinista chief of police.

His removal was a principal demand of the conservative and liberal opposition in Nicaragua and of Senator Jesse Helms of North Carolina, who heads right-wing congressional efforts to put US aid on hold. They claim the police and army have favoured Sandinistas in land disputes, and aided takeovers of farms by former Sandinista soldiers.

Mrs Chamorro has let the Sandinistas run the army and police – and repeatedly vetoed proposals from within the UNO alliance to reverse some of the land nationalisations carried out *by them – to gain* Sandinista support for her orthodox economic stabilisation programme.

In the past two years the government has slashed spending, privatised industries and let in imports, turning what was once a state-run economy into one of the more liberal on the continent.

Mr Francisco Mayorga, the former central bank governor, describes the result as the "most remarkable stabilisation in all Latin America". Inflation, exceeding 7,000 per cent in 1990, was less than 2 per cent in the first half of this year. The exchange rate of 5 cordobas to a dollar has been stable for more than a year, and the government budget is in surplus.

The Sandinistas are still the most potent political party in Nicaragua. They run most of the unions and can call a general strike when they wish. Mr Antonio Lacayo, the president's son-in-law and minister of the presidency, argues: "If the government had opted for the traditional policy of confrontation that is normal in our political culture there would have been no democratic opening, nor economic stabilisation. The social costs caused by the budget tightening could not have been undertaken without a climate of tolerance and understanding."

But the strategy is now in danger of falling apart.

Last week the three leading members of UNO – Vice-President Virgilio Godoy, Mr Alfredo Cesar, president of the National Assembly, and Mr Arnoldo Aleman, mayor of Managua – called an unprecedented joint press conference to demand that the heads of the army and police stand down, and that the government return more nationalised land to its previous owners.

The private sector has been equally critical of the rapprochement with the Sandinistas, blaming it for low private and foreign investment.

The Chamorro government also risks being squeezed from the left. The sacking of Mr Vivas brought an angry response from Sandinistas, who blamed the change on pressures from the US.

The Sandinista grassroots organisation is increasingly opposed to the government's austere economic policy. Nearly half of adult Nicaraguans are out of work, and average income is about $430 per person. Despite foreign aid equal to more than half Nicaragua's GDP this year, low coffee and cotton prices will slow economic growth from a projected 4-5 per cent to just 1.5 per cent, says Mr Lacayo. It will be the ninth successive year that per capita GNP will have fallen.

Students and many workers are on strike, protesting against budget cuts or low wages. Peasants are flooding into Nicaragua, with the city estimated to grow by 8-9 per cent this year.

A doctor used to visit the Santa Maria farm every eight days, says Mr Garcia – but there has not been a visit for more than a year. About half the 80 children do not go to school and few receive the once-mandatory inoculations.

Most if not all of these problems are a result of a decade of war, blockade and economic mismanagement. Nicaragua is at least now entering the world economy and, argues Mr Lacayo, the conditions for economic growth have been laid. But unless the politicians bury their differences, the economy may never have the chance to take off.

NEWS: WORLD TRADE

Pakistan $1.7bn private sector power station deal

By Frank Gray

THE Pakistan government and power authorities have signed a $1.7bn (£890m) deal with a western consortium clearing the way for building a 1,292MW oil-fired power station at Hub Chowki, 50km west of Karachi. The project is the first undertaken by the private sector under the government's restructuring programme. When it is completed in four years, it will boost the country's power capacity over 15 per cent.

The contract, negotiated for over four years, was signed by Mr S.R. Poonegar, secretary of the Water and Power Ministry, Mr Mumtaz Hameed, chairman of the Water and Power Development Authority (Wapda), and Mr Mohammed Alireza, chairman of the Hab River Power Group (HubCo), set up to operate the power station. Mr Alireza is chairman of Saudi Arabia's Xenel Industries, the Hab project's chief sponsoring company.

A project official, noting the deal has been nearly sewn up twice before, stressed that this time it had been signed, not just initialled. The stumbling block had been western bankers' concerns over the threat Islamic, or interest-free, banking rules could have for the project. They had withheld a pledge to provide $360m in commercial finance for the scheme, but been assured under the implementation agreement in the contract that their investment would be protected, even if the Pakistan Supreme Court upheld an Islamic court ruling that charging interest was against Islam.

The other two aspects of the deal were the power purchase accord, covering the commercial tariffs at which HubCo will sell electricity into the national grid, and the fuel buying agreement, covering deliveries by the Pakistan State Oil Company of imported oil needed to run the power station. The project is being undertaken on a build-own-operate basis with the sponsors running the company as a self-contained, private-sector utility alongside the state-owned Wapda. The scheme was structured by the World Bank, which will provide one-third of the financing under its Private Sector Energy Development Fund.

This provides long-term finance at commercial rates, with an upfront grace period. Its purpose is to broaden the private-sector equity investment in the new power company. Chief equipment suppliers are Japan's Mitsui (consortium leader), IHI of Japan (boilers), Ansaldo of Italy (turbines), and Campenon Bernard of France (civil engineering).

Frank Gray edits Power in Asia, an FT energy newsletter

Taiwan scraps export plan to aid Gatt entry

TAIWAN has formally abolished a three-decade-old export subsidy system to help its application for entry to Gatt, the country's central bank said, Reuter reports from Taipei.

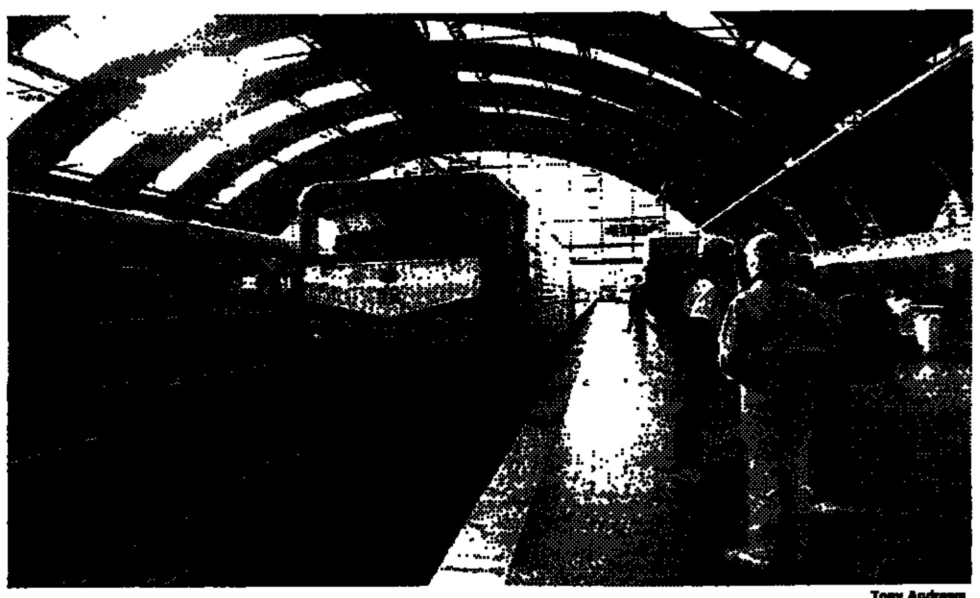
The system, which helped to fuel the island's export-led economic boom, was one remaining area where Taiwan did not satisfy the world trade body's free trade rules, a senior bank official said.

The central bank provided low-interest loans to exporters under the system beginning in 1961. The island's trade surplus totalled $5.47bn (£2.86bn) in the first seven months of 1992. The need for the system had diminished and fallen into disuse after Taiwan liberalised bank interest rates in 1989. It was abolished last week. In December 1989, after the last loan was granted, outstanding export loans had totalled Taiwan $14.5bn.

Taiwan applied to join Gatt in 1990 but entry has been delayed by concern over its trade policies and opposition from China.

German rolling-stock maker puts hopes in Russia

But the Treuhand-owned company wonders how long the good luck will last, **Leslie Colitt** writes



Tony Andrews

The power of German rolling stock: optimistic about the Russian market

DEUTSCHE Waggonbau AG (DWA), Germany's largest producer of rolling stock, is rare among western companies for remaining stubbornly optimistic about the Russian market.

DWA continued exporting its long-distance passenger carriages and freight cars to Russia in the first half of this year as most German companies reported falling sales to the east. Even more remarkably, its Russian customers were able to pay for the deliveries. But the Treuhand-owned company is wondering how long the good luck will last. Russia until now has allotted hard currency for passenger and freight car imports as they are regarded as top priority items. In a vast country with only minuscule road transport, virtually nothing moves except by rail.

With its headquarters in east Berlin and five factories in east Germany, DWA was Comecon's leading producer of rail passenger carriages and special-purpose freight cars, and a major supplier of the Soviet State Railway since 1948. Some 70 per cent of its projected total sales this year of DM2.2bn (£780m) are to Russia and other republics of the Commonwealth of Independent States (CIS). Mr Kurt-Friedrich Ladendorf, a west German member of the executive board of DWA, spoke of the risks remaining for the company in the second half of this year. Despite 100 per cent coverage by the German government's Hermes export credit guarantees, and payment guarantees by the Russian government, there was no way of knowing whether the Russians would continue to pay their bills.

Meanwhile, DWA has purchased the raw materials and semi-manufactures to fulfil the Russian orders, incurring heavy costs, Mr Ladendorf said. For the entire year the Russians contracted for 1,300 passenger carriages and 150 refrigerated trains consisting of five wagons each. Next year, the Russian Railway wants to buy 830 passenger carriages and the other CIS republics 100-150 units, an overall drop of 22 per cent. Interest was expressed in buying 100 refrigerated trains but Mr Ladendorf said the number was expected to be reduced to 30. This was less than tragic, though, as DWA was barely earning money on its sales of refrigerated wagons.

Over the next three years, exports to the CIS were likely to drop to 50 per cent of total sales, with the German Federal Railway and regional commuter systems taking most of the remaining half. "It makes no sense trying forcefully to reduce the eastern business. We are making money on the sales and are contributing to the transport sector of the CIS," he explained. DWA's undisclosed earnings last year included a significant portion set aside as reserves in anticipation of more difficult times ahead.

To ensure it remains competitive in the Russian market, DWA is negotiating with Russia's biggest producer of long-distance passenger carriages, Tver Railway Wagon, to set up a joint venture based in Tver. The Germans have already installed new machinery at the Russian factory to boost its poor output. A new plant to produce up to 1,000 rail waggons would be erected and an existing factory producing rail equipment for the armed forces converted to civilian production.

Mr Ladendorf estimated DWA needed to invest up to DM300m in the new plant, while the Russians would invest an equivalent amount in roubles. While DWA could come up with its share out of earnings, the Russian government would have to subsidise the investment by the Tver company, which sells its entire output to Russian Railways.

"The question is whether the Russians can finance such a development. We believe the west will have to provide help," Mr Ladendorf says. Such assistance in the critically-important transport sector was more beneficial than selling computer plants to Russia.

The uncertainties of trading with the CIS republics has a direct influence on DWA's prospects for privatisation. Mr Ladendorf envisages that 51 per cent of DWA will be sold to an investor (Siemens, ABB and AEG have shown interest) while 49 per cent would remain with Treuhand. This would allow the agency to achieve a "fair price" whenever it chose to sell its share.

All three bidders have expressed concern about the risks involved in DWA's strong CIS business and for this reason are not interested in a majority share. For its part, Treuhand is under no great pressure to sell DWA, as it is one of the few former state companies which until now has made a profit.

Meanwhile, DWA has somewhat lessened its reliance on the CIS market by its DM500m contract with the Bundesbahn and east German Reichsbahn; it hopes shortly to land a $100m (£52.3m) contract from Amtrak in the US for 50 viewliner passenger cars with options on another 170 units. But the deal would not be profitable with the dollar below DM1.50. Mr Ladendorf, like other German exporters, hopes the dollar will strengthen soon.

The mood in east Germany, Page 12

Brussels starts ethanolamine 'dumping' probe

THE European Commission has opened an investigation into alleged "dumping" of ethanolamine by the US, Andrew Hill reports from Brussels.

Community chemicals companies claim that ethanolamine, used in cosmetics and pharmaceuticals, was sold at artificially low prices in the Community between 1988 and 1991.

They claim that US sales rose by 38 per cent in the period, from 40,660 tonnes to 56,197 tonnes, and the market share of US producers rose from 31.3 per cent to 39.2 per cent.

That still left the EC producers with a commanding share of more than half of the Community market, but the companies claim increased price competition pushed some of them into loss and cut profits for others.

Cefic, the European chemical companies' trade association, told the Commission that the boom in cheap US imports prompted a 7 per cent drop in EC production during the three-year period and a 14 per cent slump in capacity utilisation, even though EC demand increased by 10 per cent.

Ethanolamine is produced from a reaction between ethylene oxide and ammonia. It is also used to make textiles, chemicals and construction materials.

EC ratifies dumping duties on Korean radios

THE EC is making anti-dumping duties on imports of South Korean car radios permanent, it said yesterday, Reuter reports from Brussels.

The Community's Official Journal said it was setting the duty at 34.4 per cent, with reduced rates for 18 companies which co-operated in its investigation into whether the radios were being sold in the EC at unfairly low prices.

Under the decision, Goldstar will pay 3.9 per cent duties, Hyundai Electronic Industries 10.8 per cent duties and Samsung Electronics 20.8 per cent duties.

The investigation by the European Commission, the EC executive, which imposed duties provisionally six months ago, backed up industry complaints that the radios were being sold on the EC market at significantly less than it cost to make them.

With the help of the low prices, radio imports rose 180 per cent from 1985 to 1989, and EC manufacturers were forced to lower their own prices, leading to loss of profits and lower market share.

Uruguay Round 'would protect food standards'

By David Dodwell, World Trade Editor

A URUGUAY Round world trade agreement would protect, in some cases enhance, food safety standards, not undermine them, as many environmental lobbyists claim, a report* by the Consumers Union, a leading US consumer group, says.

The present draft Uruguay Round text, blocked over farm subsidies, would "clearly allow the US to keep all its standards, only some of which are higher than Codex" – the Rome-based Codex Alimentarius Commission which sets international food standards.

The Consumers Union says it has written pledges from the Bush administration that US standards would not be diminished.

International harmonisation could improve US food safety standards, it adds, noting 27 per cent fall below international standards, it adds.

The report debunks 19 "myths" created by environmental lobbyists to suggest the Round would erode national sovereign rights to protect the environment and set high food safety standards.

**Understanding Gatt: Is the Uruguay Round a Benefit to Consumers or Threat to Food Safety and the Environment. Consumers Union, 2001 S Street, Washington DC20009.*

Computer fault hits NatWest card accounts

By Andrew Jack

NATIONAL Westminster, one of Britain's leading clearing banks, is writing to all its credit card holders after problems with the computer system which processes 14m card accounts, more than half of all of those in the UK.

The bank is also believed to be considering seeking compensation from First Data Resources, the operator of the computer system, for mistakes caused by the glitch.

The cards affected include Mastercard, Visa and Access cards offered by NatWest, Midland, Lloyds, Royal Bank of Scotland and TSB, which are processed through a computer centre with sites in Southend and Basildon in Essex.

At least several hundred people are thought to have had problems using their cards because of a change in the computer software which took place in mid-July.

Both First Data Resources and the banks yesterday played down the errors and said they had since been corrected.

The NatWest letter apologises for problems including incorrect charges for late payment and interest, delays in direct debits, fees for cash advances which did not take place, incorrect amounts debited and incorrect transaction dates on statements.

Several individuals have also reported that retailers have been unable to obtain authorisation to accept their credit cards when there was no apparent reason why they should be refused.

Mr Gary Tobin, senior vice president of communications and government affairs at First Data Corporation, the parent of First Data Resources, said yesterday there had been some "fine-tuning" of the computer system between July 17 and 23 when the operating software was being changed and tested.

But he said all the problems had been overcome, and that a few errors were inevitable on a system processing so many accounts during a process described by as "the biggest [computer software] conversion in history".

None of the banks would give full details on the number of customers affected.

Phantom withdrawals, Page 7

Government bans Ulster Defence Association

By David Owen

THE government yesterday outlawed the Ulster Defence Association (UDA), the largest loyalist paramilitary organisation in Northern Ireland.

In a brief statement, Sir Patrick Mayhew, Northern Ireland secretary, said he was "satisfied that the UDA is actively and primarily engaged in the commission of criminal, terrorist acts and so merits proscription."

Other proscribed organisations include the Irish Republican Army, Irish National Liberation Army and Ulster Freedom Fighters.

The UDA, which once boasted a membership of more than 20,000, is thought to be responsible for the deaths of about a third of the civilians killed in Northern Ireland in the past 23 years.

The ban, which came into effect at midnight, means it is now an offence to be a member of the UDA, to solicit funds or membership of the organisation or to participate in any acts of the organisation.

The move was broadly welcomed in London and Dublin, and by nationalists in Northern Ireland. But it was strongly criticised by Unionists on the grounds that Sinn Fein, the IRA's political arm, was not also banned.

Mr Peter Robinson, deputy leader of the Democratic Unionist party, said the decision not to ban Sinn Fein showed the UDA ban was a sop to the nationalist Social Democratic and Labour party.

Mr Michael Mates, Northern Ireland security minister, said Sinn Fein's status was also kept under review. "Sinn Fein is an organisation which does not condemn violence, which is thoroughly reprehensible and repugnant," he said.

Laying down the law: Sir Patrick Mayhew (left) and Michael Mates announce the UDA ban

Credit demand falls sharply

By Emma Tucker, Economics Staff

DEMAND for credit fell sharply in June as consumers paid back more than they borrowed on credit agreements excluding mortgages.

The news, indicating that consumers remain reluctant to spend, came as the latest consensus of forecasts from the City and economic think-tanks puts output falling by 0.5 per cent this year.

Economic forecasters have revised their expectations for growth sharply downwards since the middle of the year when it became clear that a post-election surge in confidence had failed to turn into sustainable growth. This week a string of indicators is expected to show that the economy remains stuck in recession but that inflation continues to fall.

In June consumers repaid a net £55m on credit agreements with finance houses, building societies and bank credit cards that are part of the Visa or Mastercard system. This compares with net borrowing of £68m in May.

According to the new series of figures from the Central Statistical Office, this was the first time since December that consumers paid back more than they borrowed on credit agreements.

The previous CSO credit business series distorted the net lending figure downwards by treating debts written off by banks as repayments. As a result consumers were wrongly believed to have been making the repayment of debts a priority in five of the first six months of the year.

Mr James Barty, UK economist at Morgan Grenfell, said: "People did not repay their debts in the first half of the year after all, but they did borrow more slowly."

The amount of new credit advanced in June was £4.2bn compared with £3.8bn in May. It grew by 1.7 per cent in the second quarter compared with the previous quarter.

Lex, Page 14

Competition for UK telecoms

By Michiyo Nakamoto

THE government plans to award national telecommunications licences to four groups in one of the biggest steps to open up the UK telecommunications network to competition.

The Department of Trade and Industry (DTI) is expected to announce today that it plans to award public telecommunications operator licences to Ionica, a private enterprise based in Cambridge, National Network, a UK company, and World Communications, a Swiss-owned company based in the UK. The other new licensee is thought to be a US group.

The DTI is expected to invite comments from the public on its proposal to award licences to the companies. After a two-month public consultation period, the licences will then have to win final approval by Parliament.

The licences represent the first significant step by the government in opening up the domestic telecommunications industry to competition since cable television operators were granted the right in the government's duopoly review to operate local telecommunications networks without the consent of BT or Mercury.

The licences are expected to lead to a number of telecommunications services for subscribers at substantially lower rates than those currently charged by BT.

Ionica plans to provide national telecommunications services based on radio systems. National Network, which already provides a private telephone service over the Post Office's internal network plans to invest about £150m in the next few years to build up its own fibre-optic network.

National already provides telecommunications service to private customers at rates up to 30 per cent below BT's and 15 per cent below Mercury's.

World Communications, which also has a private telecommunications service in the UK, expects to benefit from the international traffic opportunities the licence opens up.

Britain in brief

Whisky sales boosted by export surge

Scotch whisky exports increased almost 12 per cent in value during the first half of the year to a record £870.7m.

The world's thirst for Scotch raised overseas consumption during the six months by 6 per cent to 325m bottles – 20m bottles more than in the same period last year.

Mr James Bruxner, chairman of the Scotch Whisky Association, said: "At a time when recession is affecting many countries around the world, the sales increase is very encouraging."

Shortlist for Olympics bids

A shortlist has been selected from 30 international development groups to build the proposed Olympic stadium linked to Britain's bid for the 2000 games.

The £100m stadium and adjacent complex will be built in Manchester if Britain is selected by the International Olympic Committee in September 1993.

A shortlist of four consortia, three British and one French, has been chosen. They are Amec/Stanhope, Balfour Beatty, Trafalgar House and Societé Auxilaire D'Entreprises, and the winner will be announced in January 1993.

Editorial Comment, Page 12

Advice needed on finance

More independent financial advice is needed for indebted Britons, according to the National Consumer Council, which has called on the government to take the lead in providing funding.

Over 500,000 households are struggling with multiple debts, according to the Council, but only one in seven debtors can expect to receive expert money advice. The Council says that good advice can save unnecessary misery for debtors.

In a new report, the Council says that government appeals to the credit industry to fund centres on a voluntary basis have largely failed.

Accountants plan share deal

Ernst & Young, the accountancy firm, is to pay up to £1.44m in compensation to shareholders in Sound Diffusion, the collapsed electrical equipment manufacturer to which it was auditor and adviser. In a highly unusual move, the firm has agreed to offer all those who were shareholders in Sound Diffusion 25 per cent of the value of rights they exercised in a £9.94m rights issue in May 1988, seven months before the company went into receivership.

More funds for home-owners

More government money is to be channeled into encouraging home ownership, according to the Housing Corporation. Around 15 per cent of the agency's budget for 1993-94 will be used for low cost shared ownership schemes, up from 11 per cent last year.

Old N-reactor wins reprieve

Britain's oldest nuclear reactor, Bradwell, in Bradwell-on-Sea, Essex, has been granted permission to continue running for another 10 years.

But the decision to allow the Magnox type reactor a new lease of life may put the lives of local people at risk, according to the Friends of the Earth environmental group. Nuclear Electric said denied Bradwell endangered local residents.

Air flight company fails

Manchester Flight Centre, a company specialising in flights to Spain and Portugal, has ceased trading with up to 2,000 of its customers abroad, the Civil Aviation Authority said.

■ Clearers forced to accept that auto-teller systems are fallible ■ Equipment to duplicate cards widely available

A trying time for debit victims

THE experience of losing money, combined with having to persuade a bank or building society that the withdrawal was not your fault, is often traumatic. In some cases it has led to illness.

Mrs Jean McConville's doctor says she has suffered from nervousness, lack of sleep, headaches and vomiting as a result of her year-long tussle with Barclays Bank.

The dispute started in July last year when Mrs McConville and her husband James, from Merseyside, had their Barclays Connect cards stolen. Although they reported the loss immediately they were later debited £406 for auto-teller machine withdrawals.

Mr and Mrs McConville say they could not have made the withdrawals: they had never used their cards to withdraw cash. In fact the couple destroyed their personal identification numbers (PINs) as soon as they received them, without memorising them, keeping the cards to guarantee cheques. "The whole episode has caused us great distress," says Mrs McConville. "As a result of the unauthorised withdrawals, three direct debits were refused and one cheque bounced. Our reputation has been tarnished."

Mr Vincent Leigh, an electrical engineer from Stalybridge, Cheshire, found his family a target for suspicion after he was debited £3,200 on a TSB bank card he had never used. The bank suggested his parents might have made the withdrawals.

"They were made to feel like criminals, even though they are an elderly couple who have banked with the TSB all their lives," says Mr Leigh. "My parents do not know how to use a video recorder, never mind a hole in the wall."

Their innocence was established when Mr Leigh remembered he had kept the envelope containing his Pin number – unopened. The TSB made Mr Leigh an ex gratia refund of £3,200, although no explanation was provided.

When Mr Richard Hancock, a manager in a computer services company, found that £6,070 had been withdrawn from his NatWest account without his authority, the bank pointed first to his wife, then to his children.

"The bank manager even suggested that my six-year-old son or eight-year-old daughter could have made the withdrawals as a result of blackmail," says Mr Hancock.

Mr Denis Whalley – the solicitor representing 400 "phantom-withdrawal victims" – claims he has eliminated cases where someone other than the holder could have had access to the card and Pin.

If Mr Whalley is successful in his action against the banks and building societies, thousands of card holders may have their bank balances – if not their faith in auto-teller machines – restored.

Tim Lawrence

Network that fights 'phantom withdrawals'

AUTO-TELLER machine systems in use today strike a compromise between cost and effectiveness.

Contrary to what the banks would like customers to believe, the systems are vulnerable to hardware and software glitches. However, most experts believe risks of "phantom withdrawals" are small compared with human error or attempts to defraud.

The banks are now being forced to accept that their auto-teller networks are fallible. Barclays this year admitted that a fault persisted for several days in the interbank Visa network. It resulted in all rejected auto-teller transactions for non-Barclays Visa cards being debited in spite of the rejection.

Miss Elizabeth Bellot, an accountant from the Channel Islands who banks with TSB, tried to withdraw cash from a Barclays cash machine during a visit to Crewe in February last year. She was refused, but returned home to discover that she had been debited £600 for the attempted withdrawals.

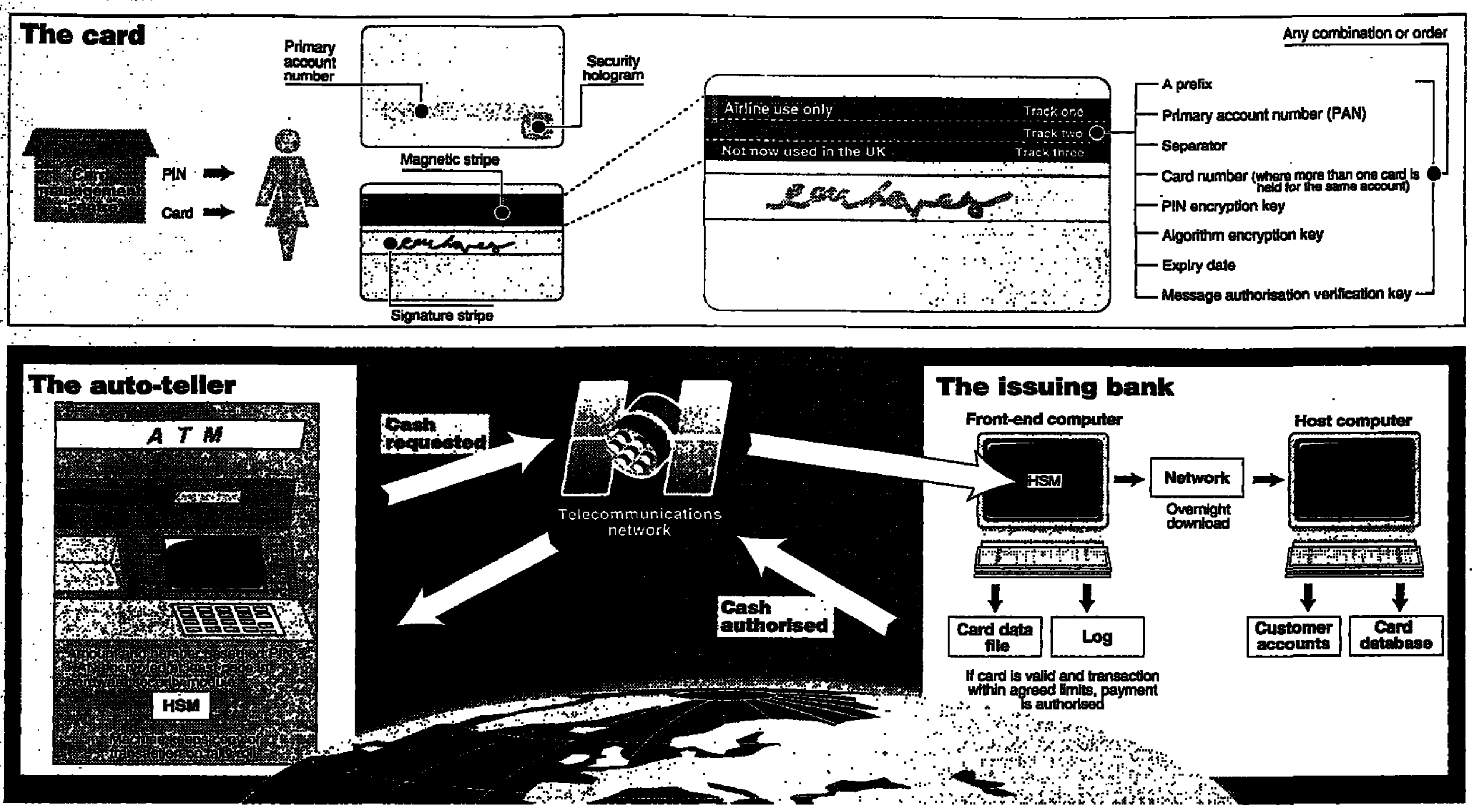
The machine at Crewe was not malfunctioning, Barclays says. It has, however, been unable to explain further the nature of the fault.

No two auto-teller systems are alike, but the principles are universal. The technology that exists – data written on a magnetic stripe on a card used in conjunction with a personal identification number (PIN) – is cheap but vulnerable.

Its main shortcoming is its inability to tell a genuine cardholder from a fraud. If a card and the corresponding PIN are presented, and the cash withdrawal is within agreed limits, it will be authorised.

The system has no knowledge of the individual initiating the transaction. Responsibility for keeping the card secure and the PIN secret lies with the cardholder.

A stolen auto-teller card is comparatively easy to copy. On the front it bears the customer's primary account number (PAN) which is usually a combination of the customer's account number and branch clearing code together with some housekeeping characters.



On the back is a magnetic stripe, divided into three separate tracks. Track one was defined historically for airline use only; track three is no longer used by UK banks – at one time it was used to record amounts withdrawn when certain banks operated their auto-tellers in both on-line and off-line mode. On-line working is now used throughout the UK – every transaction is referred immediately to the card issuer for validation of the card, PIN and amount.

Track two contains up to 40 bytes of information, which can include the PAN, the expiry date and cryptographic keys.

The technology used to write and read the magnetic stripe is simple - little more complicated than that used in a domestic tape recorder – although Sweden is experimenting with deeper levels of magnetisation to "watermark" genuine cards.

Fraudsters could therefore duplicate a stolen card. If they had access to the corresponding PIN, the card could be used to make withdrawals until the theft was discovered.

Creating an entirely false card is a different proposition. During a transaction, the PIN is combined with information from the PAN in a complicated piece of mathematics that may involve a hardware security module – a sealed, tamper-resistant box of encryption electronics – to create a message that includes the amount of the transaction and certain security codes.

That message is despatched over telephone lines to the card issuer's computer centre where it is checked – again, possibly using a hardware security module. The PIN is not decoded; experts say it should never appear "in the clear" during the process of validation and authentication – and there is no reason anybody in the bank should be able to learn what it is.

The fact remains that an auto-teller network is made by humans, and is therefore susceptible to human ingenuity. An experienced computer engineer could undoubtedly learn a customer's PIN, given enough time. But that would be of little use without the PAN and other cryptographic codes.

Phantom withdrawals are a very British concern. There are roughly equal numbers of auto-tellers in the US, Europe and Japan (about 100,000 each) yet disputed withdrawals seem comparatively rare in the US, where there is more concern about being mugged.

To improve the system, the banks are considering including "message authentication codes" which would virtually guarantee the integrity of the message sent between the auto-tellers and the host computer.

Smart cards, with complete computer systems built in, are intrinsically more secure than magnetic-stripe cards, but significantly more expensive. They are virtually impossible to forge and all the encryption technology can be built into the card itself. But smart cards can be stolen. The real answer is positive identification of the customer when the transaction is initiated.

Banks are beginning to consider installing cameras within auto-tellers to photograph customers. Signature verification is a more attractive possibility, but that technology is relatively immature. It also has to be made capable of working in the harsh conditions of the real world – auto-tellers suffer from a lot of wear and tear and shoppers struggling with their bags may not like the trouble of signing their names.

Other possibilities include a range of biometric measurements – eye retinal patterns, sweat analysis, fingerprint recognition – which could attract objections both from civil rights groups and customers.

Alan Cane and Tim Lawrence

Banks stand by machines

LEADING clearing banks speak with a single voice about phantom withdrawals.

They all follow the same line as Barclays, the largest issuer of payment cards in the UK. "Our contention is that phantom withdrawals do not occur in the way it is popularly believed," it says. "We have every confidence in the complete security of our system."

National Westminster, the second-largest UK bank, says: "It is not possible to take money out of an account without access to both the information on the magnetic stripe and the personal identification number (PIN). We do not believe that spontaneous transactions by the computer systems are possible."

It says "categorically" that it is not possible to make a working credit card from a NatWest receipt, even if the PIN is known. Lloyds says: "So far as we know, there has never been a cash-machine withdrawal without the PIN number being used."

All the banks acknowledge that they deal with a stream of complaints from customers who believe they have suffered from phantom withdrawals. Some banks privately admit that they also make *ex gratia* payments to some customers who say they have lost money.

"There are cases when customers genuinely forget having taken out money from a machine and we cannot take matters forward from that," one says. "We are not prepared to say to good customers that we are accusing you or your family of dishonesty."

All the banks are adamant that audit trails and other checks on suspect transactions do not suggest that phantom withdrawals can ever take place. "We sometimes find that the audit may not balance, but there is always a clear-cut explanation, for example two £10 notes being stuck together in the machine," says Lloyds.

In spite of such unanimity, customers have gained the whip hand in the last year in one important respect. The code of banking practice places the onus of proof of establishing what has gone wrong in disputed transactions on the banks and limits the customer's liability on losses to £50 where the customer is not clearly to blame.

So even if you cannot prove to your bank that there are such things as phantom withdrawals, if one should befall you, most of the losses from it will be footed by your bank.

David Barchard

Simple technology for fraudsters

MAGNETIC bank cards are notoriously easy to duplicate if you have a copy of the original. Experts and fraudsters alike claim that duplicates – known as "white cards" – can be manufactured with just two pieces of information: the personal identification number (PIN) and the account number.

Banks say more information is required.

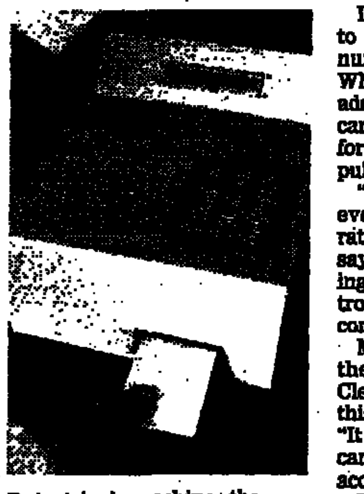
Blank cards cost 4p to 5p each and the cheapest machine to write on the magnetic stripe can be bought for about £750 from a number of specialist companies. The same technology costs £300 in Germany.

"The market in magnetic-stripe machinery is fairly open," says Mr Chris Bell, managing director of Datastripe, a specialist company based in Surrey, which makes the Magnetic Stripe Card Writer. "Plastic cards have a wide range of uses, so it is quite difficult to keep a close eye on the market."

Datastripe subjects customers to rigorous questioning and reports any suspicious inquiries to the police. The secondhand market is less well controlled and the technology is readily available elsewhere in Europe, the Far East and the US.

PINs are not for sale, but can be obtained by "shouldering" card holders – watching them to discover their PINs.

There are three main methods, according to Mr Ross Anderson, a cryptologist from the Cambridge University computer laboratory. Fraudsters can stand behind holders and watch them tap in their numbers; they can use a pair of binoculars; or they can use a high-definition video camera to film people using ATMs, with the time of the transaction coded on the videotape, so the receipts frequently discarded by customers can be identified later. Account numbers are printed by a number of banks on receipts.



Datastripe's machine, the Magnetic Stripe Card Writer

Technological expertise is not required to make the cards, according to Mr Bell: "Sixth-form colleges and universities are teaching their engineering students how to make magnetic-stripe cards."

It takes a couple of seconds to write the PIN and account number on to the blank card. While the stripe must carry additional information, all cash cards conform to international formats which are laid out in published documents.

"The method will not work every time, but the success rate seems to be quite high," says Mr David Leiper, managing director of Innovative Electronic Technology, an access-control-card specialist.

Mr Richard Tyson-Davies, of the Association of Payment Clearing Services, denies that this kind of fraud can be done: "It is not possible to copy a card with just the PIN and the account number."

However, Mr Stephen Edell, a building society ombudsman, is investigating the possibility that a "white card" could be produced with just a PIN and account number.

Banks maintain that auto-teller technology is secure and can be breached only if holders lose their cards and give away their PINs.

Nevertheless, a number of cases of "shouldering" have occurred. In post-trial testimony, Mr Andrew Stone told how he stood in queues watching people type their PINs. He picked up the receipts and made duplicate cards. If he failed to see the PIN he would use the card in a supermarket, sometimes signing his name as "Mickey Mouse". Mr Stone was eventually prosecuted for defrauding the Switch system.

Mr Tyson-Davies says he did not believe Mr Stone's post-trial testimony. However, Mr Stone's techniques were not novel. The first recorded case of "shouldering" occured in New York in the mid 1980s, where a dismissed auto-teller technician withdrew substantial sums through the system.

Other techniques employed to defraud auto-tellers include the use of dummy machines.

In 1988 fraudsters in the US set up a cigarette vending machine in a shopping mall which would accept bank cards and PINs. The information was recorded and used to forge cards.

UK fraudsters are now operating similar scams. In High Wycombe market, a gang set up a stall where cut-price goods could be bought only with a bank card. Frauds have also been recorded at several antique sales in London.

Internal bank fraud is also a possibility, although banks maintain that tight security procedures rule that out.

In March, however, Mr Anthony Pratt, a computer engineer for Clydesdale Bank, was found guilty of stealing £17,000 from auto-teller machines belonging to the Clydesdale and the TSB. He attached a hand-held computer to machines and it collected data from the cards fed in.

Tim Lawrence

MANAGEMENT: THE GROWING BUSINESS

When a little knowledge is a good thing

If you can get together a few vehicle-owners who have "The Knowledge" – cab drivers' jargon for knowing where all the streets of a town are – then you are well on your way to forming a courier service.

There is a glut of dispatch companies in London and most big cities, but there is still room for competition in smaller towns.

Courier businesses can require heavy investment if you aim to serve a large area – and the pay-back period can be long. However, more modest services limited to one neighbourhood can be quite profitable based on a smaller outlay.

The basic set-up requires an office with a phone, and a control centre where an operator can keep in touch with the couriers and relay orders via radio or bleepers.

The vehicles needn't all be high-powered motorcycles. A car or even a bicycle will do when delivery time is not too important.

You will have to advertise, and that means using mailshots, and running ads in the local press or on commercial radio.

A dispatch rider's average delivery radius is around 30 miles, but you will have to determine your own realistic radius based on your resources.

Small courier companies make a profit of about £35,000 a year, which may not seem much. But that is just the average.

There are success stories. In 1976, 21-year-old Richard Gabriel left his job and set up a dispatch company called Roadrunner with a friend. The venture was initially a success but later faltered because of partnership problems.

However, Gabriel was determined to continue and had the novel idea of setting up a national franchise network.

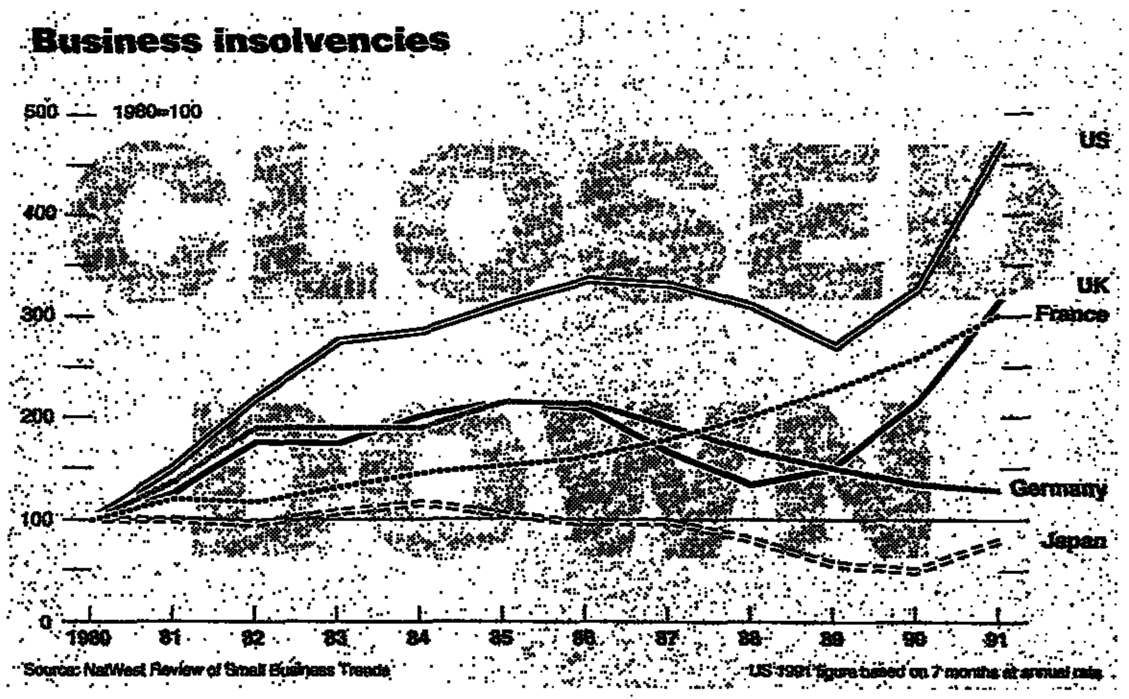
The result was Interlink Express, which was later sold to an Australian group in 1991 for more than £36 million.

For professional advice on setting up a courier service, dial 100 and ask for Freefone Enterprise. They will give you the address of your local Small Firms Service.

Thomas Siemen

Bankruptcy is on the increase almost everywhere. But Graham Bannock takes a sanguine view

Down and out all round the world



The number of companies going bankrupt or into liquidation always increases in a recession.

According to the Department of Trade and Industry, almost 500 companies a week went into liquidation in the fourth quarter of 1991, and that number rises to almost 1000 if individual bankruptcies are included.

Although the absolute number of company liquidations is rising, the rate of increase is falling. In 1991 the year-on-year increase reached a peak of 67 per cent in the second quarter.

It fell to 42 per cent for the third quarter and 20 per cent for the fourth, and in the first quarter of this year it was down to 17 per cent.

Throughout the 1980s and into 1990 the business population, as measured by the number of companies and unincorporated businesses registered for VAT, rose every year.

However, the overall number of company closures rose sharply last year and there were fewer new incorporations.

The number of live companies registered in the UK fell by 27,000 in 1991. This was about the same as the last large fall in 1985 and was the largest drop since 1968.

According to the latest *Labour Force Survey*, the number of self-employed in 1991 was down by 150,000 on the previous year.

Even after compensating for the steep increase in the turnover threshold introduced in the 1991 Finance Act, it seems probable that the VAT register will also show a fall in 1991.

Is this a cataclysm? Does it herald the end of the enterprise revolution? (No doubt some commentators would claim both.) Is the UK business population, having grown faster than that of other countries, now set to go on shrinking faster in this recession?

The short answer to all these questions is "no", although it is

> Since 1988, the UK has suffered badly compared with Germany and Japan

most unlikely that the rapid rise in the business population in the 1980s will be repeated in the 1990s.

There are considerable difficulties in comparing failure rates internationally because of differences in statistical coverage.

Differences in bankruptcy law and commercial culture also affect the proportion of business closures that results in legal insolvency.

Businesses close for a variety of reasons, including takeover and retirement. In fact, Michael Daly of the Department of Employment calculates that of all VAT deregistrations (and there were 185,000 of these in 1990), only about half were closures. It seems likely that compulsory liquidations and business-related individual bankruptcies accounted for much less than 20 per cent of all deregistrations.

The average rate of business closures (as distinct from insolvencies) in the UK appears to be not very different from that in Germany and possibly less than the United States, but it is difficult to make comparisons with other countries.

It seems safer to compare *trends* in insolvencies. Trends should be less subject to differences in coverage, though even here there are statistical problems, and trends also need to be interpreted in the light of differences in the timing of the economic cycle.

The chart shows that since 1988, the UK has indeed suffered relatively badly compared with Germany and Japan, though it did a little better than Germany in the last recession.

The UK figures probably understate the deterioration somewhat, because they exclude business-related individual bankruptcies, which are partly included in other countries.

The proportion of business-related bankruptcies to total individual insolvencies seems, however, to have been declining sharply in the UK in the face of a steep rise in debt-related personal bankruptcies.

The UK trend is much lower than that in the US, where bankruptcy is less of a stigma, but mirrors it closely.

The 1991 increase has brought the UK trend just above that of France, which is the only country to have seen an uninterrupted rise in the number of business insolvencies throughout the period (ignoring a small dip in 1982).

The contrast between the UK, the US and France on one hand, and Japan and Germany on the other, is marked.

However, even in Japan, insolvencies are now rising, and in Germany, with its tighter monetary conditions, a reversal in the downward trend seems probable.

The US and UK positions would have looked somewhat better on a chart using percentages of the business population, or failure *rates*, rather than actual numbers of insolvencies.

The UK in particular saw a spectacular increase in the size of its business population in the 1980s: up by over two-thirds between 1979 and 1989.

As it is, even in 1991, company liquidations in England and Wales were only 2.2 per cent of the number of live companies on the register, though this compares with 1.8 per cent at the previous peak in the 1980s.

This is why, as the bad news continues to emerge, it is important to keep things in perspective.

If the structure of the UK economy is to continue to adapt, large numbers of business closures are inevitable and will resume their normal level only some time after economic growth is resumed.

Even in good times, businesses need to close to allow new firms to take up resources released by closures, as technology, competition and consumer demand shift and grow.

Economic cycles intensify this process, and if swings in these cycles are too large or banks get into trouble and have to restrict credit, then good businesses will be lost.

In some cases this is probably happening now, but it is in the social interest that even in bad times businessmen should take risks in introducing new products and services: the more risks are taken, the more failures there will be.

It is easy for economists to write coldly in this way about the social interest, and it has to be said that many, if not most business insolvencies result in personal tragedy for the business owners involved and often for their employees.

The vast majority of insolvencies, like the vast majority of all businesses, are small firms.

There are, moreover, differences between the effects of failure in large and small firms. Most large firms survive insolvency in some sense, through takeover or restructuring.

In most cases, the worst thing that can happen to a director of an insolvent, very large company, delinquency apart, is the loss of his or her job, usually cushioned by a golden handshake.

In a small firm limited liability is no protection against recourse to personal guarantees by banks and leaseholders, and the owner often loses all.

At this stage in the economic cycle there is not much that governments can or should do, while rhetoric will not help the sufferers. The last thing Britain's battered small business people need is panic action

> If the UK economy is to continue to adapt, large numbers of closures are inevitable

to reflate demand, and another ride up and down the inflation roller-coaster that would end again in more insolvencies.

What would help, in addition to sticking to the ERM discipline, is more action to cut business costs and, in Britain, more esteem for those who, with good intentions, fail in the interests of economic advance.

The author is an economic consultant.

In a Nutshell

Small companies create more jobs

Smaller companies account for a disproportionately large share of total job creation in the UK, according to the latest government findings.

In the service sector, companies employing fewer than 10 people accounted for half of the new jobs created during 1987 and 1989.

Such companies provided only a quarter of total employment in the sector.

The contrast was even more marked in the production sector. Firms employing fewer than 10 people accounted for two-fifths of new jobs but provided just one-tenth of overall employment.

Employment Gazette, August 1992. Available from HMSO, £4.50.

London centre for women's enterprise

Central London's first women's enterprise centre was launched recently and will cover the boroughs of Camden, Kensington and Chelsea, Westminster, and Hammersmith and Fulham.

Women hoping to set up in business will have access to female business counsellors briefed to understand the additional barriers many women feel they face. It is also planned to provide training and advice at times that fit in with school hours.

Women's Enterprise Centre, 57 Pratt St, London NW1 ODP. Tel: 071 482 2128.

Camforr to lobby MPs over rents

The Campaign for Rent Reform, which wants to see the reform of commercial leases, is aiming to collect at least 5,000 letters of protest from businesses struggling because of current rent levels.

The letters, which will be sent to MPs, will call for the end of "upward only" rent reviews.

Camforr is also campaigning for a change in the law so that previous tenants are no longer liable for the rent if a future tenant goes out of business.

Camforr, 2 Bull's Head Passage, London EC3. Tel: 071 626 6037

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For further information, contact the Receiver, Ray Jackson at

KPMG Stokes Kennedy Crowley
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Tel: (01) 7081000. Telefax: (01) 7081122. Telex: 93409.

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The Joint Administrative Receivers offer for sale on a collective or individual basis the businesses and assets of the above companies.

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Triovad Press Ltd

Principal features include:

* Fully equipped print facility including Heidelberg 5 colour Speedmaster 102 – Heidelberg 2 colour Speedmaster 102 with dedicated coater.
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For further information telephone the Joint Administrative Receiver, John Alexander, KPMG Peat Marwick, PO Box 730, 20 Farringdon Street, London EC4A 4PP. Tel: 071 236 8000 ext. 3770. Fax: 071 329 6088.

KPMG Corporate Recovery

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Year ended 31.8.91	2.4m
Nine months to 30.5.92	1.9m

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For further information please contact the Joint Administrative Receiver, Andrew Thompson, KPMG Peat Marwick, Richmond House, 1 Rumford Place, Liverpool L3 9QY.
Tel: 051 236 5052. Fax: 051 236 1882.

KPMG Corporate Recovery

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GREEK EXPORTS SA
INVITATION
for expressions of interest in acquiring the assets of HELLENIC TEXTILES SAI

In line with the Greek Government's privatisation policy and on the basis of Law 2000/1991 the Corporation "GREEK EXPORTS SA", a subsidiary of the HELLENIC INDUSTRIAL DEVELOPMENT BANK SA (E.T.B.A.), with head office in Athens (17 Panepistimiou St) has been appointed Liquidator by Decision 7819/1992 of the Athens Court of Appeal and intends to sell, with the procedure of Article 46a of Law 1892/1990, supplemented by Article 14 of Law 2000/1991, the total assets of HELLENIC TEXTILES SAI with head office in Athens and owned 100% by ETBA SA.

HELLENIC TEXTILES SAI was founded in 1966 by ETBA in order to manufacture and trade yarns of every nature (animal, vegetal and synthetic) as well as fabrics. ETBA has conceded to the Company the facilities of the former "LANARA – KYRTSI" located in 54, Kifissos Avenue next to the crossing with Lenorman Street. The land is 31,511 sq. meters in area and the various buildings which cover about 34,000 sq. meters.

In 1978 ETBA put the Company under liquidation. Within the context of the programme for the craft facilities ETBA managed to have the above land classed as a Craft Center (L.742/1977) and with special construction conditions (O.J. 629/Δ/78).

This Craft Center is leased to 57 crafts concerns.

FINANCIAL INFORMATION
(in thousands GRD)

	1989	1990	1991
Total Assets	363,661	364,933	364,895
Total Income	31,762	36,438	52,102

Note: The above financial information comes from published Balance Sheets.

PRIVATISATION PROCEDURE

I. Within twenty (20) calendar days from publication of the present invitation, interested buyers should submit a non binding written declaration of interest.
II. Prospective buyers, after promising in writing to maintain confidentiality, can receive the Offering Memorandum and be given access to further information relating to the Company for sale.
III. The proclamation for a public to tender for the highest bid will be published within the specified period and in the same newspapers.
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LEGAL NOTICE

Notice of Appointment of Joint Administrative Receivers

BGS LIMITED

Registered number: 1868388 *Trading names:* BGS Catering Equipment, BGS International. *Nature of business:* Catering equipment distributors. Trade classification: 46. Date of appointment of joint administrative receivers 3 August 1992. Name of person appointing the joint administrative receivers: Barclays Bank Plc. David John Corney and David Robert Wilton Joint Administrative Receivers (Office holder nos 1869 and 5573) Cork Gully 43 Temple Row Birmingham B2 5JT

FRANCHISING

The FT proposes to publish this survey on
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Data source: BMRC Businessman Survey 1990*

FT SURVEYS

AUCTION

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PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant a licence under the Telecommunications Act 1984 ("the Act") to Worldcom International Incorporated ("the Licensee") to run telecommunications systems ("the Applicable Systems") throughout the United Kingdom. The licence will be for a period of 25 years subject to earlier revocation in specified circumstances.

2. The principal effect of the licence will be to enable the Licensee to install and run the Applicable Systems throughout the United Kingdom, and to provide a full range of services, including some types of satellite and international services, except for cable television services, mobile radio services, and certain other international services. The licence also authorises connection to a wide range of other systems, including earth orbiting apparatus. On securing a share of 25% or more of the market in respect of particular services in an area specified by the Director General of Telecommunications, the Licensee will be obliged to make available those telecommunication services to all who reasonably request them within that area.

3. The Licence will be subject to conditions such that section 8 of the Act will apply to it, thereby making the Applicable Systems eligible for designation as public telecommunication systems under Section 9 of the Act. It is the intention of the Secretary of State to designate the Applicable Systems as a public telecommunication system.

4. The Secretary of State proposes to grant the licence in response to an application from the Licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.

5. Representations or objections may be made in respect of the proposed licence and the proposed exceptions and conditions referred to above. They should be made in writing by 11 October 1992 and addressed to the undersigned at the Department of Trade and Industry, Telecommunications and Posts Division, Room 2/178, 151 Buckingham Palace Road, London, SW1W 9SS. Copies of the proposed licences can freely be obtained by writing to the Department or by calling 071-215 1746.

W A Blowers
Department of Trade and Industry

TECHNOLOGY

Despite strides in asthma treatment, death from the disease is on the increase, writes **Paul Abrahams**

A bitter pill to swallow

Every year, 4,000 people in the US die from asthma, and a further 500,000 are hospitalised. The news gets worse. Asthma incidence and mortality appear to be escalating. In 1984, 3,600 died of the disease, while in 1977 the figure was only 1,700.

The causes of this soaring mortality rate remain unclear. But a medical controversy has broken out over whether the drugs most widely prescribed to treat asthma – known as beta2-agonist bronchodilators – may have contributed to the swelling death totals. Two studies, one in New Zealand and one in Canada, have suggested beta2-agonists – which include some Olympic athletes' preferred drug, Clenbuterol – could increase the risk of death from asthma by more than twofold.

Doctors are grappling to discover an optimum treatment for this debilitating disease. The question is whether they should switch from existing therapies to alternatives, of which the most important are anti-inflammatory cortico-steroids. Their conclusions will shape the fast-growing asthma treatments market, worth at least $3bn (£1.5bn) a year.

Any increase in asthma mortality caused by beta2-agonists is likely to be small. More significant factors include: changes in the classification of causes of death; declining access to healthcare in the US, particularly among poor urban blacks; and, most importantly, increased prevalence of the disease.

The reasons for increased incidence also remain obscure. But about half of cases in the UK are directly linked to allergies and the prevalence of these is rising, according to Richard Fuller, director of respiratory medicine at Glaxo, the British pharmaceuticals group.

The growth in allergies is linked directly to greater industrialisation. Modern western houses act as perfect breeding grounds for house-dust mites, a known cause of asthma. And pets, plants and central heating provide an ideal environment for the bugs to grow, explains Giovanni Della Cioppa, medical adviser for asthma in central medical affairs at Ciba-Giegy, the Swiss pharmaceuticals group.

However, about half of cases cannot be explained by allergies, admits Fuller. Some cases are related to pollution, smoking and possibly childhood viruses, he says.

The mechanism causing asthma is only partly understood, says Fuller. Asthmatic effects are generated when the lungs become hypersensitive to outside stimuli, causing inflammation in the lungs and narrowing the airways almost to a point of closure. This process makes exhalation difficult, creating shortness of breath, cough and a sensation of suffocation.

In the allergic type of asthma, the immune cells within the lungs mistake the allergen, such as a dust-mite, for a dangerous particle. The immune cells repond by calling in defensive cells, known as mediators, which have the dual role of killing bacteria and repairing wounds.

To allow the defensive cells to reach the site of apparent infection, the blood vessels expand, creating the inflammation that obstructs the bronchia in the lungs. Beta-agonists deal with asthma by dilating the bronchia, providing almost immediate relief for sufferers. Fuller says it is unclear how they work, but they are highly effective.

"They were once considered a wonder drug," says Della Cioppa at Ciba-Geigy. "They are extremely powerful. But they are not a cure for asthma. They only treat the symptoms, not the underlying inflammation."

Francis Cuss, vice-president of clinical research at the Schering-Plough research institute, says the problem with beta2-agonists is not their side-effects, which are rare. Rather, patients with a deteriorating condition tend to rely on the bronchodilator too much, failing to tell their doctor about their deteriorating condition.

However, the Canadian study has been heavily criticised. Della Cioppa says there are two possible conclusions to be drawn from it. First, that beta2-agonists increase mortality. Or second, that people with severe asthma take more of the drug, and that people with bad asthma are more likely to die of the disease. He says that otherwise it is like saying aspirin causes headaches.

Nevertheless, Della Cioppa says the New Zealand study, which had more limited conclusions, was useful in drawing attention to inappropriate medication. It has helped trigger important changes in clinical practice.

Häkan Bjöklund, asthma president of Astra Draco, the Swedish group, explains: "What has become clear is that moderate or serious asthma should not be treated by beta2-agonists alone, but also with cortico-steroids to treat the underlying condition. The beta2-agonists remain highly useful for treating acute attacks."

Steroids work by reducing production of the factors that promote inflammation, according to Fuller at Glaxo. The great advantage of cortico-steroids is that they treat the underlying inflammation, although they must be taken continually for a number of weeks before they work.

However, steroids have potential systemic side-effects. In high doses they can generate Cushing's Syndrome, creating moon-faced features, hunched shoulders and increased hair growth. In children, the largest asthma population, they can also inhibit growth. Normally large doses are not used to treat asthma, so such complications seldom occur.

Nevertheless, while Swedish and British physicians have been willing to prescribe inhaled steroids – they had 43 per cent of the Swedish and British markets last year – doctors in the US have been far more reticent. In America, inhaled steroids have only 11 per cent of the asthma treatment market. But that reluctance is beginning to change. In 1991 inhaled steroid sales grew 56 per cent.

One alternative therapy to steroids, used particularly in children, is Intal, an anti-inflammatory product distributed by Fisons, the British group. Both Intal, and Fisons' more recent drug, Tilade, produce few side-effects. They also work by inhibiting the release of the mediators that cause inflammation.

Meanwhile, pharmaceuticals groups are pouring hundreds of millions of dollars into asthma drug research and development. The asthma market remains highly attractive to the pharmaceuticals groups, explains Linda Bilmes at the Boston Consulting Group. She says this is because:

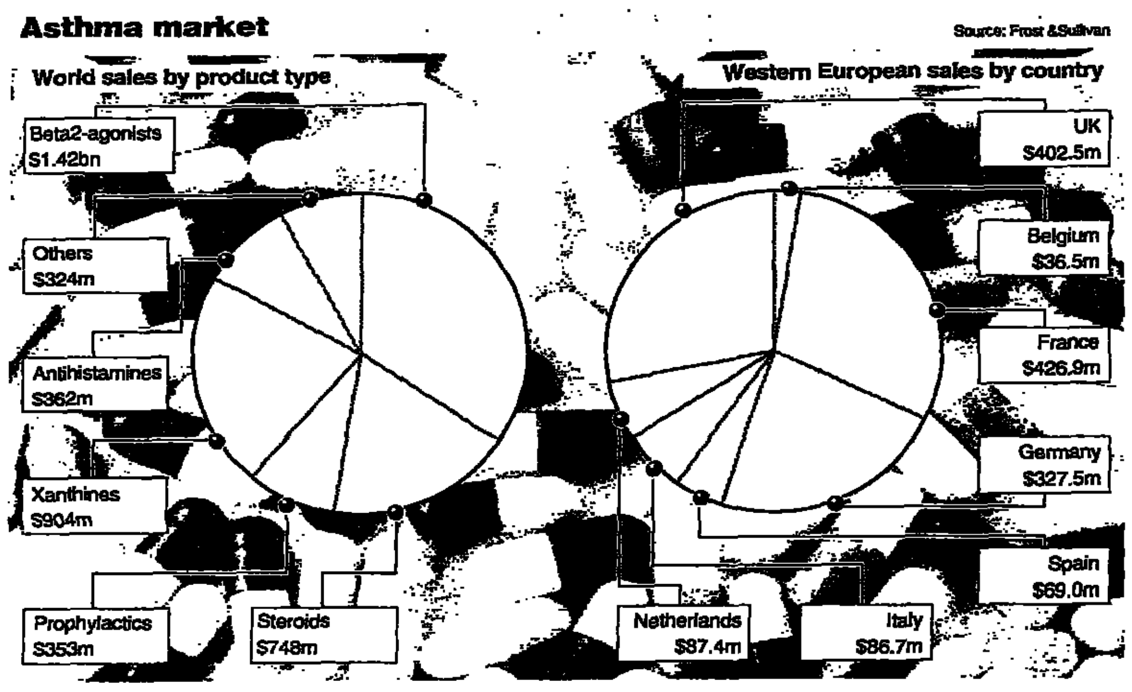
- Asthma is a chronic illness that often requires continual therapy for life.
- The market is unsettled with a wide variety of available therapies but no ideal treatment.
- The market is likely to continue to increase at above-average growth rates. Frost & Sullivan, the market research group, estimates that the world market will increase by up to 20 per cent a year by value during the 1990s.
- There is little competition from low-priced generic manufacturers. This is because the inhaling devices used to deliver the drugs are patented. Since a failed device can lead to death, doctors have proved unwilling to trust generic ones.
- The high cost of under-treatment of asthma. The price of asthma is colossal, explains Bilmes. In 1990, the disease cost the US economy $6.2bn, equivalent to 1 per cent of all health expenditure. The largest proportion – $1.6bn – was generated by in-patient hospital care.

Given the likely growth in the asthma market – spectacular even by pharmaceutical industry standards – there is little surprise that the industry is looking to gain competitive advantage through new, safer and more effective products. Different routes have been taken to achieve this.

"One aim is to discover steroidal drugs which are more potent, but have a wider safety margin. To achieve this you need a drug that finds it more difficult to make its way from the lungs into the body," says Cuss. "Alternatively, researchers are looking to find drugs that the liver can metabolise more quickly, reducing the drug's distribution through the body."

However, Keith Widdowson, international product manager for allergy at Ciba-Geigy, argues that the pharmaceuticals groups are a long way from finding a cure for asthma. The race is likely to be long and expensive.

An article on cancer drugs will appear shortly.



Technically Speaking

Smart cards hit the streets

By Louise Kehoe

Is the "smart card" a technology whose time has finally arrived? The recent decision by the Greater Manchester Passenger Transport Executive, the local authority in charge of public transport services, to issue smart cards to passengers is bringing into the limelight a technology that has been standing in the wings since the late 1980s.

These credit-card style devices that incorporate semiconductor chips have so far failed to live up to the optimistic projections of manufacturers and market analysts who had predicted that the smart card would rapidly replace magnetic-stripe cards in the bank card field and become widely used by the early 1990s.

Instead, while there are several well-known examples of smart card use, such as French telephone cards and toll road payment schemes, the magnetic stripe card is still the overwhelming standard for bank cards and for most other applications.

New interest in smart cards has been generated by rising concerns about the security shortcomings of magnetic cards which can be fraudulently reproduced using relatively inexpensive equipment. Card forgery is a growing international problem that is driving a search for technology solutions.

In this environment, banks and other financial institutions are reassessing smart card technology and watching closely as Manchester transport officials begin to implement their smart card-based ticketing system.

Initially, the scheme will involve 500,000 cards, to be used on Manchester's 2,700 buses, the city's "Metrolink" and rail systems. Ultimately, the system will require more than 1m cards. Each card will have a monetary value loaded on to it and will be used as a prepaid ticket. The cost of each journey will be deducted from the card as the passenger boards the bus.

As well as eliminating delays while passengers fumble in pockets and purses for change to pay the bus fare, the smart cards will store a record of journeys taken, providing customers with a record of how they have used the card. The transport executive will also be able to track ridership patterns more accurately.

But this is just the beginning. In Manchester, bus riders might also use their cards to purchase newspapers or coffee for their morning commute. Ultimately, the cards could be used as debit cards to make cashless transactions. By renting out space on the memory chips contained in smart cards to other organisations and then clearing the transactions through their computer system, the transport executive has opened up a considerable business opportunity.

If banks have been slow to recognise the potential of smart cards in the past, the prospect of a transport authority usurping the traditional role of a high street bank has been enough to grab their attention now.

The advantages of smart cards over conventional magnetic stripe cards were difficult to define. Coupled with the higher cost of smart cards – about £5 per card in large quantities versus about 40p for a magnetic card – potential reliability problems have discouraged widespread adoption.

However, the Manchester scheme uses "contactless" smart cards, developed by GEC Card Technology of Walsall, England. The card has no surface contact and operates when it is brought within a few centimetres of the reader device thus avoiding any reliability problems. "We believe that once contactless smart cards are seen operating in large numbers, there will be a strong move from contact smart cards toward the contactless alternative," says John Baker, managing director.

However, the bigger challenge is to replace magnetic stripe cards with contactless smart cards. In this regard, smart cards are finally beginning to look like a serious contender for space in your wallet. For bank executives faced with a rising tide of fraud and the threat of competition for the business of their high street branches there may be little choice but to adopt the technology.

PEOPLE

Margree returns

The last of the Stock Exchange's three divisional managing directors, Rod Margree, is leaving to take up a new post at Barclays de Zoete Wedd in September, thus signalling the end of a divisional structure set up only two years ago.

Margree joined the exchange on secondment from Barclays in May 1990 as managing director of the settlements division, one of three new operating units set up by chief executive Peter Rawlins. Against the background of rapid staff turnover, Margree's tenure makes him one of the longest-serving senior executives at the exchange.

His departure completes Rawlins' reversal of the organisational shake-up of two years ago. Having originally indicated he would stay for around two years, it seemed earlier this year that Margree's secondment was to be extended, but the disappearance of his division seems to have hastened his move back to the Barclays group.

Formerly the corporate finance director running Barclays' financial institutions group, Margree moves to BZW to become chief operating officer of its markets division, one of four operating areas.

McGrath moves to Evered Bardon

Evered Bardon, the aggregates group whose share price has recently taken a pasting, has found a finance director whose arrival it hopes will underscore the new commitment to tighter control.

William McGrath, 33, moves from the same position at Norwest Holst where he has spent the past two years; he also stepped in as acting managing director there between January and May when Chris Bucknall left after only a few months in the job.

A chartered accountant, McGrath had previously accumulated six years' experience in the City – in the corporate finance departments of Lloyds Merchant Bank and Kleinwort Benson.

His predecessor at Evered Bardon, John Ford, departed at the end of May; Ford had been brought into Evered by the Abdullah brothers, who launched the company on its aggressive spending spree that lasted through most of the 1980s.

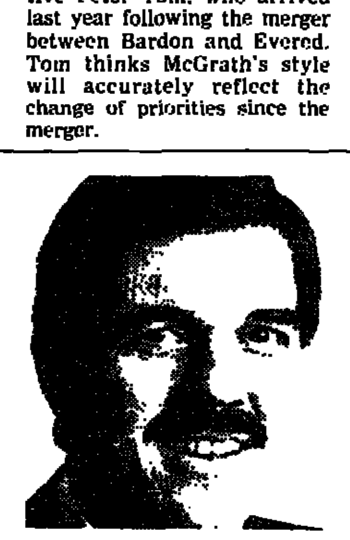
"Now, it is all about making what we have got sweat," says pragmatic group chief executive Peter Tom, who arrived last year following the merger between Bardon and Evered. Tom thinks McGrath's style will accurately reflect the change of priorities since the merger.

"John had a rather exciting relationship with the City. It is a question of fashion; the City is now looking for something else." Evered has attracted criticism not only for its high gearing – which it is in the process of reducing by a series of disposals – but also for the quality of its accounts with respect to the valuations placed on past acquisitions.

"I never thought I would be pleased to see 30p," chuckles Tom, referring to the 3p gain made by Evered's share price yesterday. The shares, down from a 1992 high of 88p, have underperformed the market by 47 per cent in the last month alone.

■ David McGarvey has been named managing director of CLAREMONT GARMENTS (Holdings), second in seniority on the board to Peter Wiegand, chairman and chief executive. McGarvey has been a director since the company's demerger from Alexon Group in July 1991 and the new post involves no extra responsibilities. "It's in recognition of what he's been doing for the past year," Wiegand said yesterday.

■ James Fyfe, financial director of MACDONALD MARTIN DISTILLERIES, has also been appointed deputy md.



■ Trevor Hart (left) has been promoted from general sales manager for WEETABIX and joins the board as sales director. Les Comley, sales and marketing director, becomes commercial director.

■ Philip Corfield is appointed supply chain director and Alan Tickner information systems and administration director of SPILLERS FOODS.

Sun Alliance board

The changing of the top management guard at Sun Alliance Group, Britain's biggest composite insurer, continues apace. Arthur Hayes, 49, general manager in charge of group planning, has been appointed to the main board, as has Peter Taylor, 52, the managing director of Sun Alliance Life. Both men also join the board of the group's principal subsidiary, Sun Alliance and London Insurance.

Scott Nelson, 53, general manager responsible for corporate finance, was put on the board in September and the latest additions mean that three of Sun Alliance's seven top executives have joined the board within the past year. Brian Wright retired as an executive director in April, but remains on the board, and Geoffrey Browne and Eric Coward have retired recently.

The normal retirement age at Sun Alliance is 62 and if 60-year-old Roger Neville, who has been chief executive since June 1987, follows in his predecessor's footsteps, he could be expected to step down over the next year or two.

If he did, then the market speculation is that Roger Taylor, 50, who has been an executive director since 1986, would be Neville's obvious successor.

■ Martin Pluck, head of research (UK equities) at Clerical Medical Investment Group, has been appointed a director of CLERICAL MEDICAL MANAGED FUNDS.

CORRECTION

Peter Baxter

Peter Baxter, assistant executive director of Abbey Life, is joining National Westminster Life Assurance as its new director of marketing and will report to chief executive Lawrence Churchill. A report in Friday's Financial Times incorrectly suggested he would be managing the newly formed life insurance subsidiary.

BUSINESS LAW

A green 'caveat vendor'

By Derek Wheatley QC

The United States has gone mad on Superfund, the environmental clean-up operation. The idea of cleansing a vast country of potential hazardous waste deposits is excellent but enormously expensive. It has also had some curious results.

The language of the US Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Cercla) is intended to make those who cause pollution liable for the cost of clean-up and perhaps also for damages for injury to the public. No one could quarrel with an act aimed at "making the polluter pay" and it is the policy of the UK Government to do this.

Accepting that those who control the land are primarily liable, Cercla recognised that lenders who took security over land which was later found to be polluted might be saddled with unfair liability.

The Act therefore contained the "secured lender exemption". This excludes from liability the person who "... without participating in the management of a ... facility, holds indicia of ownership primarily to protect his security interest".

The difficulty has been in defining what constitutes "participating in the management". American courts ruled that slight acts, little more than any prudent lender might take to protect his security, might be sufficient.

The matter progressed further to the disadvantage of the lender when the Superfund law was addressed for the first time by a Federal Appeals Court in the case of *US v Fleet Factors*. The Appeal Court for the Eleventh Circuit found that a secured lender who took no part in management decisions previously thought to be safe might still be found liable if the court could infer that the secured lender could have affected hazardous waste decisions even if it did not do so.

Lenders who had been careful to avoid participation because of fear of incurring clean-up liability found that, however careful they had been, they might still be liable. This might be when their security documentation gave them a right to exercise some measure of control. Most security documentation does exactly that.

The *Fleet Factors* decision threw the American banking system into disarray. Preconceived and carefully thought out procedures were thrown into doubt. The San Francisco law firm Brubeck Phleger & Harrison described the impact on the financial community as amounting to "near hysteria".

An article in *New Law Journal* aptly but dolefully recited: "The Superfund is underfunded and the Environmental Protection Agency will seek recovery from any potential deep pocket. Banks, insurance companies, pensions funds, finance companies and other major lenders are viewed by EPA as potential targets of opportunity. The public policy announced by Cercla overrides the bankruptcy code and the debtor or debtor in possession cannot avoid his responsibilities by abandoning property subject to a clean-up obligation pursuant to the abandonment procedure of the bankruptcy code. The donation of a closed plant to charity may not fare any better."

Expensive environmental audits could be required of customers who borrow money and offer land as security

Some recent decisions in the US have failed to follow the *Fleet Factors* case, maintaining that at least actual control is necessary and not only an "ability to influence".

But the legal position remains doubtful. So great has been the concern that there has been activity in Congress regarding lender protection from Cercla liability. Several bills have been introduced intended to limit that liability and to exclude property acquired through foreclosure, or that held in a fiduciary capacity or managed pursuant to an extension of credit.

All but one of the bills, however, is dead. Concern remains in spite of an EPA final rule (56 Fed.Reg.28798) which seeks to limit the lender's liability to cases in which he has "actual participation in the management or operational affairs of the debtor".

There is still a difficulty in drawing the line between the actions of a prudent lender and those of a genuine manager of the concern in question. In any event, the rule is not binding on private American litigators who sue banks as opposed to the EPA itself. The EPA cannot overrule the Court of Appeals and confusion is worse confounded.

In the UK, the Environmental Protection Act 1990 imposes liability on those who control waste but, in general, liability is not absolute and those who take reasonable precautions and exercise reasonable care escape liability.

The Draft EC Directive, however, provides (Clause 2(1)(b)) that "the person who had actual control of the waste when the incident giving rise to the damage ... ,if he is not able within a reasonable time to identify the producer ...", shall be liable.

Liability is absolute and dependent on fault. In many cases it will be impossible to identify the producer of the waste, for example, a tip where waste has been deposited by the public over many years.

The EC directive in its present form is likely to become part of English law and could spell disaster. The increased danger for lenders would mean that, as in the US, expensive environmental audits would be required of customers who borrowed money and offered land as security; there would be a need to provide other security, which might be impossible, and additional loan documentation.

Less money would be available for borrowers more expensively. The costs of lending would escalate and customers would have to foot the extra bill. Something could still be done by exerting pressure both on the UK Department of the Environment and on the officials in Brussels. It is only a Draft Directive and changes could be made, but time for effective lobbying is short.

If no changes are made, the situation in the UK is likely to be as bad as it was in the US at the worst moments of the Superfund crisis.

From a practical point of view it is quite bad enough already. Recently an administrative receiver discovered that land valued at £1m in the books of a company was badly contaminated with industrial waste. It had to be sold for £1 only. The *maxim caveat emptor* is rapidly being replaced by caveat vendor.

The author is banking consultant at City solicitors, Watson, Farley & Williams.

ARTS

Functional fittings and fixtures

Susan Moore

PINNING modern sculpture to office blocks as though it were costume jewellery was a misalliance contracted in the Sixties. The idea of compensating for the elimination of decoration and ornament from Modernist architecture seemed to turn into a desperate bid to humanise bleak urban piazzas of concrete and glass. All too often, the result was to dehumanise what might elsewhere have been deemed perfectly good art.

The past decade has seen a shift towards a more subtle integration of art in the environment. This new kind of public art, although less "heroic" in intention than monumental sculpture, has a far better chance of success.

Developers and planners are inviting the best of contemporary sculptors, craftsmen and designers to turn their talents towards the functional: the fixtures and fittings of our urban and rural landscapes. Railings, fences, gates, benches, bollards, bridges, planters, paving, playgrounds... the list is surprisingly long. The solutions are unexpectedly various.

Applied art in public places is the subject of the Crafts Council's current exhibition, "The Furnished Landscape". It focuses on several schemes and works that have already been commissioned across the country, largely through "Percent for Art" initiatives, plus recent pieces yet to be placed. It argues a convincing case for encouraging collaboration among artists/craftsmen, architects, planners, engineers and, more cautiously, the community.

Britain has been slow on the uptake. In the US, Philadelphia boasts more sculpture than any other city, thanks to the privately-funded and public-spirited Fairmount Park Art Association (FPAA) which was founded in 1872.

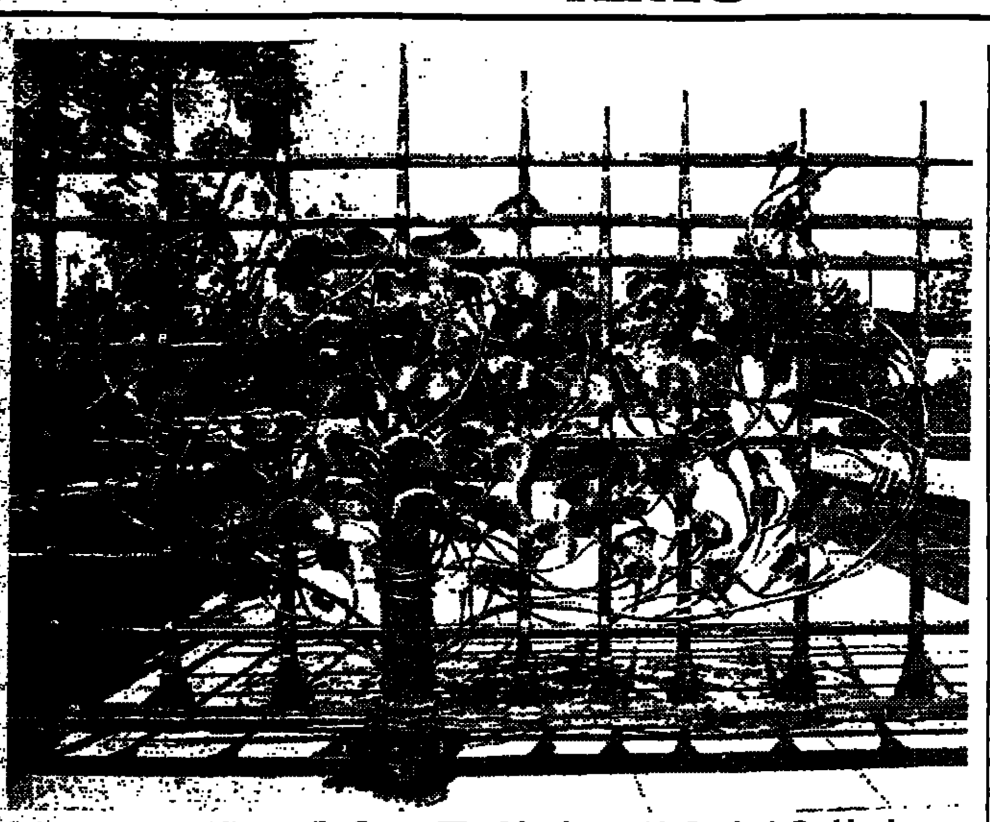
The city launched a pioneering per-cent scheme as long ago as 1959, under which 1 per cent of the cost of construction work on Redevelopment Authority land was to be spent on works of art.

By 1980, the FPAA was inviting the likes of Siah Armajani, Dan Flavin and Robert Irwin to propose schemes for improving specific inner-city sites in Philadelphia; in 1986, it was asking for proposals for creatively lighting the city. (A comparable scheme with light installations by 30 European artists will transform Edinburgh from October 22 until January 4.)

Public art in the US has always tended to have a social conscience. The sculptor Isamu Noguchi, for instance, began designing playgrounds as early as 1933, although the first was only built in 1975.

A notion of what might be called serviceable sculpture took root. It is represented in the exhibition most impressively by a model of one of the American Dan Graham's large outdoor pavilions constructed out of clear and reflecting glass, structures that continue to intrigue, surprise and delight as one walks in and around them.

The show is, however, more concerned with the useful. Of all the avant-garde sculpture-cum-furniture by Scott Burton (steel), Marc Camille Chaimowicz (steel, teak and granite), Paul de Monchaux (St Bees sandstone) and Floris van den Broecke (glass reinforced polyester), Rod Arad's stainless-steel armchair, "Big Easy Volume II", stands out not only for its lack of Modernist streamlining, but by aiming to be user-friendly. "If you can't do a chair that's more comfortable than the last one," Arad is quoted as saying, "it isn't worth doing."



Guiseppe Lund's railings at the Canary Wharf development in London's Docklands

Given the English tradition of apparently artless "natural" gardening, where landscape is moulded and then enhanced by all manner of Picturesque follies rich in allusion, it is not surprising that so much here looks well in the rural landscape.

Jim Partridge and Liz Walmsley's pleasing rough-hewn walkway in Grizedale forest, small footbridge in Argyll and a rustic bench, and Howard Bowcott's Oak Leaf seat in Gwynedd, re-invent the formal language of the Picturesque and its harmony with Nature. The lettering of Richard Kindersley and that commissioned by Ian Hamilton Finlay from Creative Letterwork, takes up its literary allusions.

De Monchaux's smooth and Moore-ish slab of sandstone, 250 million years old, is as much landmark as bench. Richard La Trobe-Bateman's taut, minimalist green oak and stainless-steel wire footbridges also combine a Modernist aesthetic with natural materials.

It is with the urban landscape that these artists and craftsmen undoubtedly face their greatest challenge. The Victorians proved adept designers of street furniture, but they were not obliged to temper anything of the scale of London's Canary Wharf development. Some of the most exciting work in the show was commissioned for this, the world's biggest commercial development, by Olympia & York.

Bruce Maclean's railings are almost anarchic in the way their frenzied calligraphic lines and floating spheres defy the regular geometries of the office blocks behind. The fact that they are one-off and hand-made is defiant in itself. Guiseppe Lund's railings are more Art Nouveau than abstract expressionist, but here what looks like convolvulus is rising up and encircling the railing posts with its insidious stems.

John Maine's faceted granite end-posts and highly sculptural cast-iron bollards were commissioned by the London Borough of Lewisham as part of its comprehensive redevelopment of the town centre.

Elsewhere we find images of, say, mosaics inserted into paving in Sheffield, or banners hanging between the columns of Nottingham Town Hall which gave the community an opportunity to personalise its own surroundings.

There is humour too. A particularly engaging finale is Jon Mills' whimsical "Weatherplane" created for Burford School – a weathervane Biggles-style. The forged steel plane comes hurtling through the air, propeller spinning, flags fluttering and its begoggled bird pilot aghast. It has to be said that committees often make lousy patrons; here there is plenty of evidence to the contrary.

"The Furnished Landscape" continues at the Crafts Council, 44a Pentonville Road, Islington, London N1, until August 23. The Crafts Council is happy to provide advice and help to organisations or individuals interested in commissioning art or craft work. Tel: (071) 278 7700

Rossini rarities in Siena

William Weaver

THE Settimana musicale senese, the small-scale festival presented by the Accademia Chigiana in Siena, has just concluded its 49th edition. In its long history, it has been responsible for countless memorable and significant events.

In its early, pre-World War II years, the Chigiana played a crucial role in the Vivaldi revival; in the post-war period it has set trends with performances of other long-neglected composers or works; and more recently, it has sponsored world premieres of living composers and has offered gifted young artists a chance to display their talents.

This year's Settimana concentrated, understandably, on the bicentenarian Rossini. Over the years the Accademia has made valuable contributions to the deeper understanding of this composer, too: its *Ermione*, for example, in 1977, antedated by some years the grander production at the festival of Pesaro.

In 1976, the festival gave a concert performance of Rossini's then unpublished and virtually unknown incidental music for *Oedipus at Colonus*, 14 mostly brief pieces composed around 1815 in Bologna on a commission from a presumably well-off hydraulic engineer named Giambattista Giusti, who was also an amateur translator and poet. In 1817 he had his Italian version of the Sophocles tragedy published by the great Parma printer Bodoni.

Giusti apparently hoped that his work would be staged, but Rossini seems not to have shared his optimism, and when the impatient translator – who had imprudently paid the composer in advance – insisted on having the music, Rossini handed him the manuscript pages, some of them not completely orchestrated.

For many years, the music was presumed lost, then the autograph surfaced in the early 1970's (it is now in the Pierpoint Morgan Library in New York), and a critical edition was subsequently published by the Rossini Foundation in Pesaro. The musical numbers are for chorus and/or basso, and have all the charm and power of the finest Rossini. Their efficacy is all the more surprising in that Italy had no real tradition of *musique de scène*; and Rossini's numbers for *Oedipus* are unique in the 19th century repertory.

The beauty of the music, however, is not matched by any similar attractiveness in the Italian text. Giusti was not much of a poet, and his stilted, predictable verses sound like a poor libretto without accompaniment. The decision of Luciano Alberti, artistic director of the Chigiana, to stage the play seems unwise, for in the end it was the music that suffered. A respected scholar, Alberti as director was unable to impose any coherent style on his actors; they were all terrible, but in different ways.

Only the Coro di Toscana, prepared by Roberto Gabbiani (who also conducted the performance, with the Symphony Orchestra of Sofia), made a positive, sensitive contribution – they also acted well, despite the troublesome set, which consisted chiefly of a steep flight of steps.

More successful was the Chigiana week's closing event: a concert performance of an 1826 Rossini pastiche entitled *Ivanho*. This consists of a French text devised in Paris by the librettists Emile Deschamps and Gabriel-Gustave de Wailly from the Scott novel and music by the Italian musician and publisher Antonio Pacini, long a Paris resident. There is some evidence that Rossini himself contributed to the organisation of the music, which consists of numbers from perhaps a dozen of his operas, not all of them familiar or readily available in France at that time. The pastiche had its premiere at the Odéon in 15 September 1826, with enviable success. Within the decade that followed, it was given in many foreign countries, reaching London on 7 March 1829 as *The Maid of Judah, or The Knights Templar*.

After all, why shouldn't it be a success? The music is all first-rate Rossini, and the libretto is based on a popular, dramatic story, even though the French authors cut it mercilessly and simplified the plot (Rowena and Rebecca are fused into a single character, the – Moslem! – Lila).

It requires a better orchestra than the musicians from Sofia who gave it, and a more committed conductor than the slack Peter Maag. It does not require superstar singers, but they should be able to sing in tune, and the three basses were a severe handicap. Fortunately, the tenor Craig Estep, in the title role, gave a more than adequate idea of the music (some of his high notes were, however, ill-advised, pinched and unpleasing to hear). Tiziana Fabbricini – the Violetta of the Muti *Traviata* at La Scala a few seasons back – occasionally sounded strained, but she sang with confidence and style. The real winner of the evening was the California baritone LeRoy Villanueva, who offered a warm lyric sound, handled with sensitivity, enough to gain applause even for the villain Brian de Boisguilbert.

Any criticism of these performances or these performers must be tempered by some mention of the Tuscan weather and, especially, of the intolerable heat inside the Teatro dei Rinnovati. Male members of the opening and closing night audience, who bravely wore jackets and ties were subjected to cruel and unusual punishment, but even removal of jacket and loosening of collar brought little relief. In the old days, the Chigiana used to hold its festival in the more appropriate month of September. If they will insist on mid-summer, they must seriously – and promptly – consider air-conditioning.

Ariel Dorfman's *Death and the Maiden* moved to the Duke of York's Theatre last night, with a new cast: Penny Downie (above) is Paulina Salas, scarred by Chile's dictatorship. Danny Webb plays Gerardo Escobar and Hugh Ross plays Dr Roberto Miranda

Paris's musées sentimentaux

FOR almost a century, the small suite of rooms on the first floor of the Musée Gustave Moreau in Paris were swathed in dirt and dustcloths, unseen by the public, seldom visited even by the museum staff.

The dustcloths have now been whisked away. The woodwork is freshly papered and painted. There are pictures on the walls. The rooms have been restored to look as they did when the artist Moreau himself lived and worked there. The first floor apartment at the Musée Moreau has joined the ranks of Paris's musées sentimentaux.

Paris has a dozen or so "musées sentimentaux" – museums based in the homes of writers or artists. Gustave Moreau himself was one of the pioneers of the concept, devoting his last years to raising money and bullying builders to turn his home on the rue de la Rochefoucauld into a showcase for his life's work.

The Musée Moreau opened in 1903, five years after the artist's death. It houses a comprehensive collection of his work – 1,200 paintings and 5,000 drawings – everything from juvenile scribblings to giant oil paintings.

The brutal truth is that, without the museum, much of Moreau's work would not have been preserved. Even in his own day, Moreau was better known for his teaching – his pupils included Henri Matisse and Georges Rouault – than for his art. From time to time, he has attracted a minor cult following, but the quality of his paintings – dreamy visions, generally of Greek gods and goddesses in mildly salacious poses – is not high enough to merit much space in the major museums.

None the less, the Musée Moreau, with its winding wooden staircase and dusty windows, is a charming place. Even the most salacious of Moreau's classical fantasies have a certain appeal. Although there is no hint of his tutelage of Matisse in the sombre colours of his work, it is not difficult to spot his influence over the morose Rouault. For decades, the museum has been a little known but much-loved fixture on the Paris arts scene.

Moreau hoped to create more than an art gallery. He also planned to preserve the tiny apartment on the first floor of the rue de la Rochefoucauld where he lived with his parents. The renovation of the apartment was ignored in the bustle of opening the museum, and the family rooms remained closed for nearly 90 years.

Three years ago the museum staff decided to carry out Moreau's wishes by renovating the apartment. An inventory was made of the contents and an architect, Jean-Claude Daufresne, charged with restoring the rooms to their original condition.

The result is an intriguing glimpse into the home of a mildly eccentric Parisian painter in the late 19th century. The rooms have been decorated in the same style as when Moreau was in residence. The restorers have also reassembled as many of his possessions – paintings, photographs, pieces of pottery and memorabilia – as they could.

The apartment is now a cheerful clutter of books, clothes, crockery, stuffed birds, pictures, plants and even a couple of newspapers folded neatly on a table.

Thanks to the restoration, which was funded both by private patronage and state sponsorship, the Musée Moreau is probably the most complete of all Paris' musées sentimentaux, just as Gustave Moreau intended it to be.

All in all, the musées sentimentaux are a motley crew. Some show exhaustive collections of the artist's work. The Musée Rodin, set in a splendid 18th century mansion on the rue de Varenne, not only houses most of the sculptor's main pieces, but also part of his own art collection. Rodin had so many paintings that Van Goghs, Monets and Renoirs hang haphazardly on the walls looking almost like an after-thought.

Some collections are almost *too* exhaustive. The tiny Musée Zadkine near the Luxembourg gardens, devoted to the work of Ossip Zadkine, the cubist sculptor, is so packed with pieces that it is almost impossible for visitors not to bump into them.

Other musées sentimentaux are rather sparse. The Musée Delacroix, set in a cloistered courtyard off the Boulevard St Germain, was founded so long – nearly 70 years – after Eugène Delacroix's death, that his work was already widely dispersed.

The museum has a modest collection, mainly of prints, drawings and personal documents. Anyone wanting to see Delacroix's major works would be better advised to head for the Musée D'Orsay a little further along the left bank.

The museums also vary enormously in architectural quality. Musée Rodin is probably the most sumptuous of all, with its wood panelling, mottled mirrors, crystal chandeliers and a private garden which almost serves as a small Parisian park. The closest contender is the Maison de Victor Hugo tucked away in a corner of the 17th century Place des Vosges where the writer lived with his family.

By contrast the Musée Bourdelle, devoted to one of Rodin's pupils, Antoine Bourdelle, is set in a dusty little studio and garden buried beneath the brutal blocks of Montparnasse. And the musée sentimental of as famous a figure as the novelist, Honoré de Balzac, is in a squat villa in the boringly bourgeois suburb of Passy – now the stamping ground of the bon chic bon genre, the French version of the Sloane Ranger – to which Balzac fled to evade his creditors.

The architectural merits of the musées sentimentaux are not really relevant, however. The real charm of this type of museum is the flavour evoked of the person who lived there.

However sumptuous the Musée Rodin may be, it is impossible to go there without thinking about all those wimpy women that allowed Rodin to treat them so badly. On the other hand, the otherwise inconspicuous Maison de Balzac resonates with the raffish character of the novelist. It even has little boltholes at the back so Balzac could sneak out, if his dreaded creditors came to call.

Alice Rawsthorn

- **Musée Moreau, 14 rue de la Rochefoucauld, Paris 75009 (331) 4874 3850**
- **Maison de Balzac, 47 rue Rayounard, Paris 75016 (331) 4224 5638**
- **Musée Bourdelle, 16 rue Antoine-Bourdelle, Paris 75015. (331) 4548 6727**
- **Musée Delacroix, 6 rue de Furstenberg, Paris 75006. (331) 4354 0487**
- **Musée Rodin, 77 rue de Varenne, Paris 75009. (331) 4705 0134**
- **Maison de Victor Hugo, 6 place des Vosges, Paris 75004. (331) 4272 1016**
- **Musée Zadkine, 100bis rue d'Assas, Paris 75006. (331) 4326 9190**

INTERNATIONAL ARTS GUIDE

CHICAGO

RAVINIA FESTIVAL
Pinchas Zukerman is conductor and solo violinist in tonight's concert with the Ravinia Festival Orchestra, including Vivaldi's Four Seasons. Ella Fitzgerald gives tomorrow's concert, followed on Thurs by a piano recital by Jeffrey Siegel. Fri: Chaplin's film City Lights with live orchestral accompaniment. Sat: Smooth Jazz with Michael Franks and the Yellow Jackets. Sun: an evening of Broadway hits. Mon: Randy Newman. Next week: Hubbard Street Dance Company (312-728 4642)

COLOGNE

Philharmonie 20.00 First night of a ten-day run of performances by Alvin Ailey American Dance Theater (2801)

COPENHAGEN

TIVOLI CONCERT HALL
Carlo Maria Giulini conducts the European Community Youth Orchestra tomorrow in Beethoven's Ninth Symphony. Thurs: Michala Petri flute recital. Fri: Kontra Quartet plays works by Kodaly, Sallinen and Nielsen. Sat: Michael Schoenwandt conducts Rossini and Mozart duets, with Susan Patterson and Marianne Rorholm (3315 1012)

GENEVA

The Santur Vocal and Instrumental Ensemble of Ankara presents a programme of classical Turkish music from the 15th to 19th centuries on Thurs in the Musée d'art et d'histoire, also on Sat in the Grand Casino. Thurs in Cour de l'Hôtel de Ville: Andrew Litton conducts the Orchestre de la Suisse Romande in works by Schubert and Copland, with Tina Kiberg soloist in songs by Gershwin and Cole Porter (312 4353)

GOTHENBURG

Neeme Järvi conducts the Gothenburg Symphony Orchestra in a pre-season concert tomorrow night. The orchestra visits the Schleswig Holstein Festival and the Seville Expo from Aug 17 to 23, and Järvi opens his tenth season as chief conductor in Gothenburg in the first week of September (167000)

HAMBURG

MUSIC
Christoph Eschenbach conducts the Schleswig Holstein Festival Orchestra in Mahler's Seventh Symphony on Thurs at the Musikhalle. Gerd Albrecht conducts the Hamburg State Philharmonic Orchestra in works by Manfred Trojahn and Bruckner on Sun morning and Mon evening (343044). A Hamburg State Opera production of Wolfgang Rihm's chamber opera Jakob Lenz can be seen at Studio in der Büschstrasse on Fri and Sat. Next week: Sinopoli conducts the Dresden Staatskapelle and Gerd Albrecht conducts Schumann's Genoveva (351721)

THEATRE
St Pauli-Theater has Cole Porter's musical Kiss Me Kate daily till Sep 10 (314344). The Deutsches Schauspielhaus has daily performances of West Side Story till Aug 30 (248713). Kampnagel International Summer Theatre Festival opens on Thurs and runs till Sep 5 (351721)

LONDON

Royal Festival Hall 19.30 English National Ballet in Frederick Ashton's production of Romeo and Juliet, daily till Sat. Next week: tribute to Fokine (071-928 8800)
Queen Elizabeth Hall 19.45 A Night at the Cotton Club: a show evoking the classical jazz era of New York's famous 1930s club. Daily till Fri (071-928 8800)
Barbican 19.30 Travelling Opera opens a week of high-spirited productions of popular operas. Tonight, tomorrow and Sun: Il barbiere di Siviglia. Thurs and Fri: Le nozze di Figaro. Sat: La bohème (071-638 8891)
Royal Albert Hall 19.30 Lothar Zagrosek conducts BBCSO in works by Weber, Schumann and Mahler. Tomorrow: Downes conducts Shostakovich. Thurs: Peter Maxwell Davies' Black Pentecost. Fri: Danish Radio Symphony Orchestra. Sat: Rozhdestvensky conducts Brahms and Verdi. Sun: Claus Peter Flor conducts Mendelssohn (071-823 9998)

NEW YORK

JAZZ/CABARET
Blue Note Brazilian singer, songwriter and guitarist Joao Bosco makes a rare US appearance this week at the Blue Note Jazz Club and Restaurant. First set at 21.00, daily till Sun. Next Mon: Andrew Cyrille Quintet. (131 West 3rd St near Sixth Ave, 475 8592)
Club 53 A new cabaret at the New York Hilton, where Peggy Lee is in the midst of an engagement. A popular singer since her days with the Benny Goodman orchestra, she now makes a speciality of the songs of Frank Loesser among others. Music from 20.45, daily except Mon (Sixth Ave at 53rd St, 261 5853)
Michael's Pub Current attraction is singer Esther Marrow with a four-piece back-up band, performing hits associated with the late Sarah Vaughan (211 East 55th St, 758 2272)

SEVILLE EXPO

MUSIC
Tonight's performance at the Maestranza Theatre is El Gato Montes by Zarzuela Theatre of Madrid. Lorin Maazel and the Pittsburgh Symphony Orchestra give concerts tomorrow and Thurs. Rostropovich gives a cello recital next Mon. Later in the month, there are visits by the Gothenburg and Malmo Symphony Orchestras, followed by the Vienna State Opera in early September.

THEATRE
Vittorio Gassman's stage adaptation of Moby Dick is at the open-air Auditorium from Fri till next Tues. A musical of Spanish song, entitled Azabache, runs for two weeks from Aug 21. Teatro Lliure presents Beaumarchais' Le mariage de Figaro at the Lope de Vega Theatre daily from Thurs till Sun.

DANCE
National Lyric Ballet of Spain gives performances on Thurs, Fri and Sat at the Italica amphitheatre. The Palenque has daily performances of popular Spanish dance and song. Aug 20, 21 and 22 at Central Theatre: experimental Belgian choreographer Anne Teresa de Keersmaeker and her Ballet Rosas company.

- For further information, dial 0034 5 448 0404 from outside Spain, or 902 22192 in Spain.

STOCKHOLM

There are three concerts this week at Gustav Adolfs Torg as part of the Stockholm Water festival. Tomorrow: Nicholas Cleobury conducts Stockholm Philharmonic Orchestra in works by Wagner, Smetana and Alfven. Thurs and Sat: Royal Opera ensemble (244130)

STUTTGART

LUDWIGSBURG FESTIVAL
Anne-Sophie Mutter gives a recital tomorrow, followed by Marilyn Horne on Thurs. Next Mon: William Christie conducts Les Arts Florissants in Purcell's Fairy Queen (7141-949610)

WASHINGTON

- HMS Pinafore: an entertaining adaptation of the G&S classic by Interact Theater Company. Daily till Sun (Sidwell Friends School, 703-848 2632)
- 1600 Pennsylvania Ave: the musical by Alan Jay Lerner and Leonard Bernstein depicting life inside the White House, in a production by Indiana University Opera Theater. Five performances only, tonight till Sat (Kennedy Center, 467 4600)
- Die Zauberflöte: performances by Wolf Trap Opera Company on Thurs and Sat this week. Next Tues: Ray Charles (Filene Center at Wolf Trap, 703-218 6500)

- Jerry Gonzalez and the Ft Apache Band (trumpet, Latin and jazz) are guest artists this week from Thurs till Sun at Blues Alley Jazz Supperclub. Tonight: Jon Metzger on vibes. Tomorrow: singer Gloria Hightower. Music from 20.00 (1073 Wisconsin Ave, in the alley, 202-337 4141)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week – a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Tuesday August 11 1992

Manchester's Olympic bid

YESTERDAY felt flat. The return to normal life, after two spectacular Spanish weeks of colour and international competition, must have induced a sense of loss in all but the most fervent anti-Olympian. But shrug off that morning-after-the-fortnight-before depression. Preparations to recreate the Barcelona spirit in Atlanta in 1996 are advanced, and the race to host the 27th Olympiad in 2000 is under way. The competition will be fierce, with Sydney and Beijing leading the field. At this stage, Manchester looks like a plucky outsider.

It requires a sober head to assess the economic merits of hosting the games. Good parties are great to attend; but they can be costly to throw. The citizens of Montreal are still paying the bills for the 1976 Olympics. British taxpayers will have to provide much more than the £55m that the government has so far pledged.

Yet the Olympics have become an increasingly attractive economic prospect since Los Angeles infused them with some American enterprise in 1984. It is too early to assess the final economic impact of this year's Olympics on the economy of north-east Spain. But the organisers claim strong ticket sales, and Barcelona expects to repay six years of hard work with a small profit.

Intangible benefits

The wider economic impact is expected to be much greater. Direct investment in the games amounted to £5.2bn, of which 82 per cent came from the public purse. Most of this was spent on motorways, communications and low income housing while only 11 per cent directly related to sports infrastructure. A city of Barcelona report estimates that the total extra spending in the Catalan economy will total almost £16bn over the entire 1987-92 period. Add to this the intangible benefits stemming from the success of the Barcelona games – the publicity and stature it has gained in the international community, the confidence and pride it has breathed into the region.

These are tempting dreams for Manchester which, like Barcelona, is a second city. A study commissioned by the Manchester bid team from the Manchester Business School claims that the games could attract £2bn in investment and create 50,000 new jobs. This would hardly solve the region's chronic problems, but it would certainly help.

As important, a successful Manchester bid could do wonders for the region's morale, redressing the damaging imbalance that tilts so many resources into the south-east. If Britain is to bid at all for the Olympics, it is best that the proposed location is somewhere other than London.

Worthy aspirations

Yet Barcelona has also demonstrated that hosting a modern Olympics is no small commitment; and, despite the worthy aspirations of the Olympic organising committee, the circus is likely to get bigger rather than smaller between now and the end of the decade.

Manchester and its surrounding region, unlike London, has the space and the basic transport infrastructure to cope with the huge scale of a modern Olympics. But against Barcelona's huge investments, the bid committee's estimate that a Manchester Olympics would cost about £1bn looks misjudged.

Public investment is forecast to cover only a third of that cost, considerably less than in Spain. The recent sorry experience of public-private sector partnerships for infrastructure investment in London's Docklands shows that these arrangements can go badly wrong.

Now that the Barcelona party is over, the Manchester committee has its work cut out. In framing a fully detailed proposal, it will have to establish private-sector deals so that the government can come clean about the scale of public expenditure potentially involved. So far, the prime minister has spoken vaguely of providing "substantial public funding".

A millennial Olympiad as exuberant and rewarding as Barcelona's would be wonderful for Manchester and good for Britain. The next 14 months will determine whether the International Olympics Committee will give Manchester its chance.

That period also needs to be used to ensure that Manchester's bid is more like Barcelona's than Montreal's.

Europe's future in electronics

IN A FREE MARKET economy, the performance of private sector companies should normally be a matter primarily for their shareholders, employees and suppliers. However, the fate of Philips of the Netherlands, which last week reported a steep fall in profits, concerns a much wider constituency, embracing governments, consumers and taxpayers.

Philips is not just Europe's largest electronics manufacturer. Through energetic lobbying it has contrived to present itself as the foremost symbol of Europe's future in electronics and its main bulwark against the threat of technological domination by the US and, above all, Japan. These arguments, and the company's sheer size, have given it a powerful influence over EC and national policies, notably on trade.

Philips was closely involved in France's notorious decision in 1981 to route imports of Japanese video recorders through a remote customs point in Poitiers. Since then, the company has repeatedly persuaded the EC to impose tariffs, quotas and dumping duties on Japanese electronics products. It has also benefited handsomely from subsidies from EC technology policies, which it has helped to shape. Nowhere more so than in high definition television (HDTV) where, with Thomson, France's loss-making state-owned consumer electronics manufacturer, it is largely responsible for a grand EC strategy. Brussels is chipping in with generous funding and costly efforts to secure the acquiescence of broadcasters.

Absorbing resources

These measures all absorb valuable economic resources. Trade restrictions have raised substantially the prices of consumer electronics products in Europe – currently at least a third higher than in the US – while taxpayers have stumped up for Brussels' ambitious plans in information technology. Yet Philips has repeatedly failed to deliver. Though the company is fertile in invention, competitors have consistently brought new products to market faster and more profitably.

Two years ago, a financial crisis prompted a top management shake-up and promises of improved performance. Since then, Mr Jan Timmer, Philips' chairman, has trimmed bureaucracy, axed loss-making activities and tried to speed decision-making. Yet the company's most important consumer electronics projects are beset by delays or serious uncertainties, and it foresees no improvement in the business for at least two years.

Mr Timmer's biggest problem is a long legacy of mismanagement and a complacent corporate culture. Philips reacted only slowly to the Japanese onslaught in electronics. It ignored for years the opportunities for rationalisation and increased efficiency offered by Europe's common market. Though a vocal campaigner for the planned single market, the company seems unprepared for the keener competition it is meant to promote.

Inducing complacency

Europe will never have a strong electronics industry if policies remain geared to shoring up uncompetitive large producers. That not only induces complacency in the beneficiaries; more important, by distorting the market and mis-allocating resources, it discriminates against the new entrants which are often the most promising agents of innovation. In the US, which virtually abandoned consumer electronics in the 1970s, the industry is now enjoying a comeback, due largely to the success of small, entrepreneurial technology companies.

Equally surprisingly, the US has also seized the lead in HDTV technology, rendering obsolete the EC's standard. Yet the European Commission wants governments this autumn to authorise further spending of Ecu850m. It says the money is needed to safeguard large investments already made and the commercial prospects of Philips and Thomson.

Ministers can help put electronics policy back on track by firmly rejecting such pleas. The role of policy should be to stimulate innovation by keeping markets open, facilitating industrial adjustment and encouraging companies to take risks. Compensating large producers for their own failures is an indulgence European can no longer afford.

East Germany is a society struggling to come to terms with the stresses of reunification, writes **Quentin Peel**

Symbols of hope and hardship

One word spray-painted on the prefabricated wall of the Bavarian Hypo-Bank's new branch in Jena sums up most of east Germany's hopes and fears: it says "Germoney".

That is what the west means to the east. It is a classic love-hate relationship. Germoney is what people want, and it is what they resent. It is the symbol of their liberation from communism, and equally of their new subordination to the western way of life.

There is a weary cynicism abroad in the east, less than two years after unification with West Germany, and a dangerous bitterness about the whole political process.

It was obvious in the reaction to the recent homecoming of Mr Erich Honecker, the profoundly unloved former leader of the Communist party: it was as if the majority did not really care whether he came back to face trial or stayed away. They were far more concerned with the battle for daily survival.

But not everything is bleak. For a start, there are large sums of Germoney being spent in the east. It is coming at the expense of the western taxpayer, the western banks and the western capital markets and will amount to a net transfer of about DM130bn (£44.8bn) this year. The effects are highly visible.

It is scarcely possible to drive more than 10km in the east without meeting a diversion to avoid either roadworks on the autobahns, which have not been improved since the 1930s, or new water pipes and sewers being laid in every other country town and village.

In the city centres the old buildings, which had survived four decades of neglect by the communist authorities, are being restored. In the industrial city of Chemnitz, the former Karl-Marx-Stadt, for example, work starts in the Theaterplatz at 6.30am – before the heat of the day – on the municipal opera, the natural history museum and St Peter's church, all undergoing comprehensive restoration.

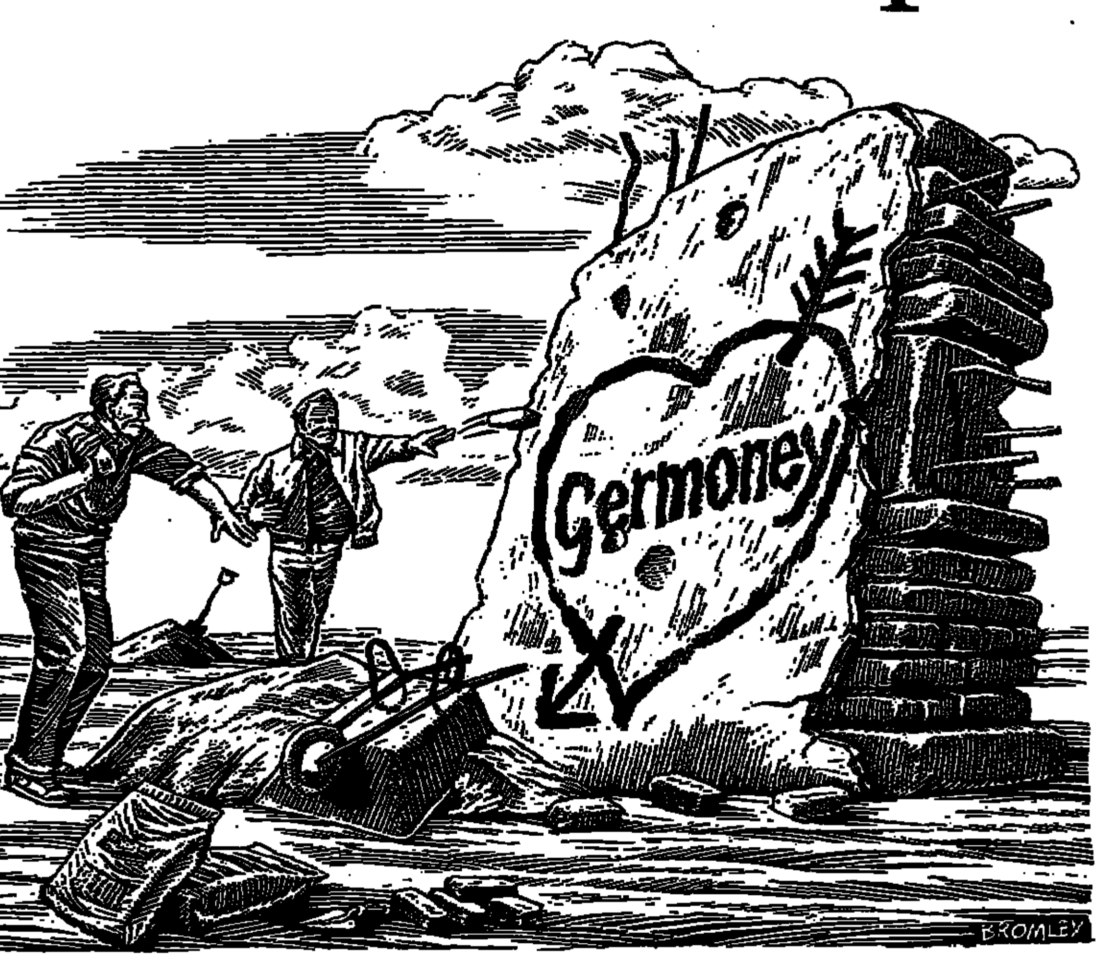
When asked how his city can afford to restore the opera, when it is effectively bankrupt, Mr Peter Fittig, the city councillor in charge of culture, replies simply: "A city without culture is a city which does not deserve to exist."

Along country roads, huge billboards proclaim the words Aufschwung Ost – Upswing East – to identify the source of the funds for whatever village construction project has been identified as the priority for a western cash injection.

And yet the gloom and uncertainty prevail. That is the other side of the story.

The most obvious reason is unemployment. The less obvious, but more fundamental, reason is the trauma caused by unification. Many people have lost their jobs and they still do not understand why. They do not know how to react to the social and economic revolution they are facing. And they have also lost the will to get back into a system they no longer understand.

The economy has bottomed out, but not before suffering an astonishing collapse – gross national product in the former East Germany was down 30.3 per cent last year. It should recover by 9 per cent in 1992. Official unemployment is running at an average 16.9 per cent this year, but only thanks to massive job creation schemes, retraining programmes, short-time working and early retirement, which keep real levels of joblessness below 30, 40 or even 50 per cent in some of the worst-hit areas. Even officially, unemployment is expected to go on



rising – to nearly 20 per cent next year.

What is happening is that after 40 years of enforced egalitarianism, eastern Germany is rapidly becoming a very divided society – between the have-jobs and the have-no-jobs. The have-jobs are doing fine, but the have-no-jobs are bitter and alienated.

"We have people who are working day and night, and those who have no work at all," says Mr Rolf Scheibe, deputy mayor of Bautzen, regional capital of east Saxony, which has seen its lorry plant closed, and its railway wagon plant still desperately struggling to survive. At the same time, Philips has taken over a factory producing telephone transmission equipment, and Edding, the west German felt-tip pen manufacturer, has taken over a pen plant, both providing secure and well-paid jobs for the lucky few hundred.

Bautzen is potentially a charming medieval town, a gateway to Poland and Czechoslovakia, and the prosperous centre for a thriving regional economy. Today it is remembered only for its prisons – one political, now closed, one criminal.

The town council is effectively bankrupt, earning only 10 per cent of its western counterpart because loss-making businesses pay no taxes, Mr Scheibe says. He is now trying to raise rents from the present peppercorn level to make ends meet, against furious resistance.

"People have to learn a different attitude to work, and to money," he says. "What is an apartment worth? People storm in here and say they will never agree to pay DM2 a square metre – just a fraction of the rent they would pay in the west. They have no idea of value."

The resentment is part incomprehension, and part the inevitable result of a harsher new system.

"The old GDR social security meant that nobody starved. Nobody fell through the net. Now it is possible to slide down the social scale very quickly," Mr Scheibe says. "It is a very complicated time. The people feel themselves betrayed by the politicians. They made too many promises. They believed them, and now they are fed up.

"The warning voices at the time of unification were ignored, because people did not want to hear them. And now there is great insecurity."

It may seem a simple matter of a sudden collapse in material living standards, but the malaise of the east is more profound.

Mr Till Noack is a youthful chief executive in the city public utility in Jena, providing district heating to the barrack blocks of apartments surrounding the old town centre. Back in the 1970s he was thrown out of Jena university as a dissident. Now he is one of the new establishment.

He believes that materially most people are no worse off than they were under the old system – even on unemployment benefit. "Two different things are wrong. First, the people have the feeling that, yet again, they are not the ones deciding what is happening: their lives are controlled from outside," he says. "Second, there is the insecurity: the uncertain future. There are many people who went to school under the old system, who studied hard and gradually worked their way up. Suddenly they are out.

"Everything used to seem so unshakeable: it wasn't possible to change, but at least it was predictable. Now nothing is certain any more."

Mr Jörg Lesche is an enthusiastic young man who runs the business development department in the East Saxony office in Bautzen. He extols the virtues of the new order, of greenfield sites on the edge of town, of the widening market and possibilities of cross-border trade with Poland and Czechoslovakia.

But he admits that it has not been easy for everyone. His mother is 54 years old, a former sports teacher in the world-beating East German system. She was a member of the Young Communist League in the 1950s, a true believer.

Today she is out of work, and despairs for the future. She has no will to set up as a private practitioner – as a physiotherapist, for example. She has simply lost the will to work, he says. "She is waiting two years, and then she will simply survive on social security."

Dr Günter Häsel is a geologist, 61 years old, who has worked all his life in the foothills of the Erz mountains, prospecting for uranium and tin. He is an example of the competent and devoted professionals who came to terms with the old system against their better instincts, and now have no time to come to terms with the new.

In the 1950s, he worked for the Russians, mining the uranium for their nuclear weapons. He is writing an official history of the mines, which will take him another year. Then he will have to retire.

"I told friends in the west I was forced to take early retirement," he says. "They said I was a lucky man. They would love to do the same. But they don't understand. In the west you have saved up for retirement. You have got a good pension and savings. I have got nothing to look forward to except a pittance."

The feeling in the east is that westerners simply do not understand the extent of the adjustment being demanded. And yet the feeling of well-informed westerners is that it is the easterners who have not realised how much their world has changed.

Dr Dieter Angst, the appropriately named state secretary for planning and the environment in Saxony, is a westerner who has moved east to Dresden with his wife, rather than commuting every week like most of his western colleagues. He believes the whole unemployment problem is misunderstood – in the east.

"The problem everyone knows, but nobody mentions, is about the proportion of potentially active people in employment," he says. "In the GDR, it was 85 to 90 per cent. That was crazy. In the west it is 55 to 60 per cent. That means 30 per cent of all people formerly employed here are not going to be able to work again: they are nominally unemployed, but not in the western sense." What he is referring to is the inevitability of a major structural change in the labour market in the east. Whereas in socialist times, female employment rates were well over 90 per cent, in the west they are far lower – so the brunt of the change is likely to fall on women in the east.

"This simply is not accepted by people here. They want to be the same as the west in material terms, but not in social and economic terms."

He rejects the prevailing pessimism as unjustified, but he does accept that there is this awful sense of insecurity. "That I understand," he says. "They never knew it before. But insecurity is the price of freedom. We cannot take that insecurity away."

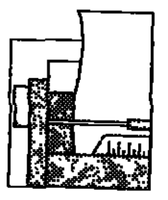
There are no simple conclusions. In purely economic terms, things are not as gloomy as they may appear on the surface. Recovery will not be quick, but it could well happen within a decade – if west Germany can keep up its massive transfers. That cannot be taken for granted but, nonetheless, there is a feeling that unification is condemned to succeed, economically.

In the east, however, the greatest problem is not material, but psychological: the challenge of coming to terms with insecurity. That could take a generation or more to resolve.

PERSONAL VIEW

Spine for the jellyfish

By Christopher Tugendhat



Perhaps the most delicate task facing Mr John Major during the British presidency of the European Community is to find a way of putting backbone into what the Financial Times has described as the "intellectual jellyfish" of subsidiarity. On the other big issues – enlargement, the budget, Gatt, etc – the outstanding problems are well understood. Subsidiarity, by contrast, is more like a mysterious marine creature washed up on the beach after a storm.

The stakes are high. Success will help reconcile the Danes to the Maastricht process, which must be done before they assume the presidency on January 1. It will also do more than anything achieved by Mr Major's predecessors to set the Community on a course with which the British people feel at ease.

Declarations to the effect that decisions should be taken at the lowest appropriate level and in the most accountable fashion raise more questions than they answer. Going to the opposite extreme of drawing up lists of which functions the Commission should maintain and which it should hand back to national governments will likewise lead to endless argument.

What is needed is a guiding principle, and for this we cannot do better than look to Switzerland. As the most enduring confederation in the world, it has much to teach the rest of Europe. In particular the preamble to its constitution explicitly states that one of the purposes of that constitution is to guarantee the continued existence of the cantons.

This goes to the heart of the matter. Throughout the Community there is a widespread feeling that the process of integration is running out of control and trampling on national characteristics and sensibilities. In Germany this manifests itself in the defence of the D-Mark, in France in hostility to allowing foreigners to vote in elections and in Ireland in the concern over abortion.

The determination "to lay the foundations of an ever closer union among the peoples of Europe", expressed in the preamble to the Treaty of Rome, lies at the heart of the Community. But people also want to maintain their own institutions and ways of doing things.

If the peoples of Europe are to continue with the work of construction enjoined by the Treaty of Rome, they must feel that it is complementary to what they are trying to do at the national level and adds to it, rather than replaces it. Europe must be seen to enhance the scope and capacity of the member states, not as a threat to them.

There is a widespread feeling that the process of European integration is running out of control

The best way to achieve this is to ensure that the Community constitution – the Treaty of Rome as amended at Maastricht – places the burden of proof on those who want powers exercised from the centre. A preamble, protocol or declaration needs to be drawn up stating that the purpose of European union is to enhance the ability of national governments and parliaments to fulfil the will of their peoples.

That, in turn, would require that a case would always have to be made to show that the states will be better off as a result of the centre gaining powers and responsibility. This would be so whether these powers are at the expense of the states or new ones – in relation, say, to the environment – which the states cannot adequately discharge on an individual basis.

It will still be difficult to decide what should be done at national or Community level. But there will also be a clear yardstick against which proposals are assessed in the Council of Ministers and the agreements reached there are then put to the peoples of the member states.

In most countries, Maastricht and the negotiations leading up to it represented a classic case of ministers and officials taking decisions without reference to their electorates. That is why second thoughts developed so quickly in Germany and France, reinforced by the Danish referendum.

It is neither possible nor desirable for the European Community to adopt the Swiss practice of holding referenda on important or controversial decisions. But unless national parliaments can find ways of legitimising the actions taken by national ministers in Brussels and the agreements reached there, the Community will continue to be seen as a rival to national institutions rather than their ally.

At present, governments are far less accountable for the decisions they take jointly in a Community context than for those they take singly within the framework of their own national laws and customs. Small wonder that when important issues are at stake, the legitimacy of those decisions should be questioned.

The author is a former vice-president of the European Commission and chairman of the Royal Institute of International Affairs.

The threat of regulation stirs an unfettered giant

An era of benign neglect may soon end for the derivatives industry, write Patrick Harverson and Tracy Corrigan

Mr Gerald Corrigan, the powerful president of the New York Federal Reserve, could not have been more blunt: "The growth and complexity of off-balance sheet activities and the nature of credit, price and settlement risk they entail should give us all cause for concern," he told an assembly of top-level US bankers in New York this January. "I hope this sounds like a warning," he continued solemnly, "because it is."

His comments sent immediate shock waves through the global market in financial derivatives – the complex and innovative off-balance sheet financial products such as swaps and options which have proved hugely profitable for banks and securities houses. To the professionals who handle these transactions daily, Mr Corrigan's words were a warning that, after more than a decade of benign neglect, financial regulators have their sights trained on the derivatives business.

Futures exchanges, which list standardised derivative contracts requiring margin payments to be set aside, have long been the domain of regulators. Yet the derivatives business with corporate counterparties that is written by banks and securities houses may, some supervisors fear, have eluded their grasp.

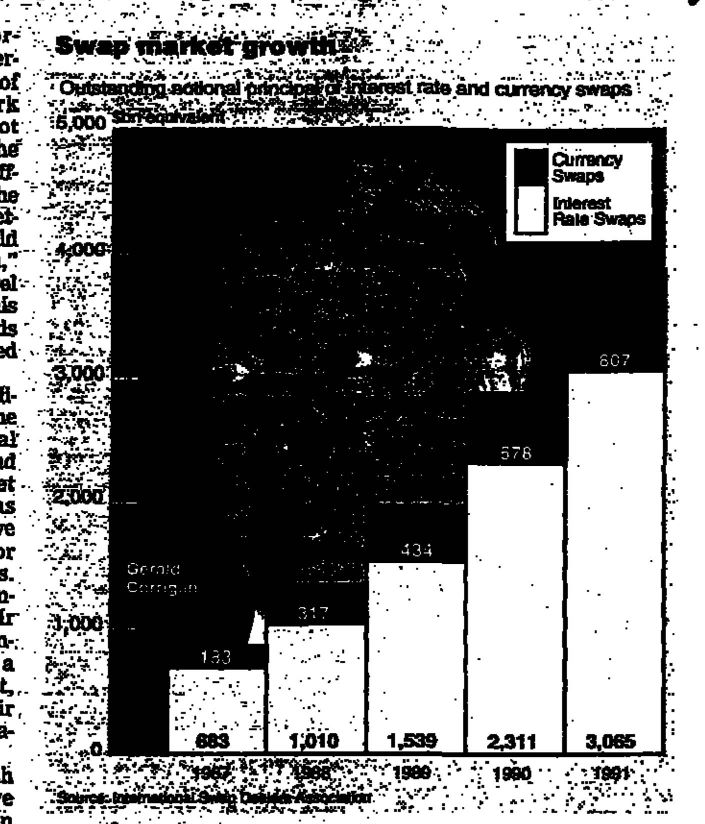
Regulators are now saying the time has come to re-examine the risks being taken with over-the-counter derivatives and to ensure that the nature of those risks is both understood and effectively managed.

They are worried that the explosive growth in the use of derivatives in complicated hedging and arbitrage transactions poses new risks to the world's financial system.

Derivative instruments, which are linked to underlying securities, allow users to bet on market movements, to exploit price variations and also to reduce financial risk by hedging positions in other markets. Because of their complex relationship with underlying markets, risk and exposure have to be calculated using specially designed computer models.

Half a dozen agencies around the world – including the Securities and Exchange Commission (SEC) and the General Accounting Office in the US, plus the Bank for International Settlements – are now conducting studies into the market for swaps, options, futures and other derivative instruments.

The greatest fear of regulators is that the default of a handful of big derivatives players could trigger a domino-like collapse among banks, securities houses and corporations linked by a grid of interconnected payment obligations.



There has already been a number of scares involving defaults by derivatives counter-parties. The collapse in 1989 of securities house Drexel Burnham Lambert left unpaid financial obligations that required careful unwinding, as did a series of US bank failures, notably the collapse of the Bank of New England.

What recommendations are regulators making? First, they want banks and securities houses to record swaps and other derivative-related obligations on their balance sheets as either assets or liabilities. Derivatives are described as "off-balance sheet" because the cash flows involved in transactions are not listed in corporate accounts.

To this end, the Financial Accounting Standards Board in the US has already issued rules requiring balance-sheet accounting of derivatives by the end of 1993. The Bank for International Settlements is currently looking at imposing similar rules on an international basis, and also at ensuring banks are adequately capitalised to support their derivatives exposures.

Regulators are also concerned about settlement risk (whether clearing and settlement systems are up to handling high-tech derivatives), about operational risk at firms (whether senior executives know the full extent of their companies' exposure to derivatives), and market risk (what happens to derivatives' positions if a sudden and calamitous move in underlying markets throws positions awry).

In recent years the growth of the derivatives business has been considerable. Ten years ago the notional value of outstanding interest rate swaps was $5bn, according to the International Swap Dealers Association (ISDA), the industry's trade body. By 1986 the market had grown to $400bn and, by the end of 1991, the value of outstanding swaps contracts had risen to $3,800bn.

Some of the infrastructure needed to support the market's development has lagged behind. Legal and accounting practices, for example, are not always geared up to cope. In the UK, banks faced losses of close to £600m when the House of Lords ruled last year that swaps transactions undertaken by local authorities were illegal.

If regulators intended to keep bankers on their toes, their strategy has worked, judging by the worries of participants

Yet the swaps industry believes regulatory concern is overdone and is partly the result of ignorance of how the market operates. It is a point that some supervisors concede.

"We admit to being much less knowledgeable [on derivatives than specialists]," says Mr Richard Farrant, deputy chairman of banking supervision at the Bank of England and a member of the Basle off-balance sheet sub-committee. "The very scope for variations is held to be a major advantage, enabling transactions to be structured to fit like a glove... but it does make for *difficulties of control and risk* assessment."

Since Mr Corrigan's warning in January, advocates for the industry have worked hard at promoting the benefits of derivatives. They say that swaps enhance the efficiency of capital markets by allowing for a clearer, more accurate allocation of risk. They claim that swaps have improved the quality and diversity of credit risks to which banks and securities firms are exposed.

The industry's fears about regulatory encroachment may yet prove overblown. Since Mr Corrigan's blunt comments in January, regulators have appeared to soften their stance.

Last week, Mr David Mullins, vice-chairman of the Federal Reserve, was asked what he thought Mr Corrigan meant by his warning to bankers. Choosing his words carefully, Mr Mullins responded: "I think president Corrigan was talking about the need for banks and regulators to understand the nature of these instruments better, and to develop the appropriate infrastructure to control and manage the risks."

To the industry's relief, regulators are increasingly taking a position of open inquiry rather than criticism. One regulator referred to the current reviews as "a questioning... We need to ensure that there is no complacency."

Some bankers now see the voicing of worries by regulators as warning shots across the bows of the derivatives industry. If regulators intended to keep bankers on their toes, their strategy has worked, judging by the worried reactions of market participants.

Even defenders of the industry do not dispute the positive impact of the renewed focus from regulators. As one head of swaps at a bank admitted: "It has certainly concentrated the minds, particularly of senior management, where there has been a rather laissez-faire attitude in the past."

Vanessa Houlder on the future of London's produce markets

Meat and potatoes row

Call for change: New Covent Garden has space to fill

A bout of haggling has broken out in London's fresh food markets. The recession, competition from supermarkets, and new European Community hygiene regulations have led one market to contemplate a raid on another's pitch.

The protagonist is New Covent Garden Market, the government-owned fruit, vegetable and flower market housed in functional sheds on 56 windswept acres in Battersea. After losing more than a dozen tenants last year, it has set its sights on filling its empty space with tenants from Smithfield meat market.

Smithfield, the reluctant target of the advance, is the last working market in the City, occupying an elegant, ironwork building designed by Sir Horace Jones in 1868, on a bustling site by St Bartholomew's Hospital.

The Corporation of London, Smithfield's owner, expects to spend £50m to bring this Victorian market, which still uses wooden barrows and sawdust-covered floors, up to EC *hygiene standards*.

The cost has prompted an argument with tenants, who face increases in rent from about £11 per sq ft to about £28 per sq ft. The corporation says if the dispute is not resolved in six months, the traders will have to move out.

The debate over Smithfield's future involves a broader question about the future of London's large fresh-produce markets, namely New Covent Garden, Smithfield, Western International, a fruit and vegetable market near Heathrow, Billingsgate, the fish market in Docklands, and Spitalfields, the fruit and vegetable market at Hackney Marsh.

Are there too many? And would combining two or more markets enhance trade by attracting buyers such as restaurateurs who want to buy meat and vegetables at the same place?

"The logic of rationalising fresh food distribution in London is apparent," says Mr Bill Bowman, chairman of Covent Garden Market Association. "Some degree of consolidation must arise, particularly if trends in the retail trade continue. There is less business to be done by all concerned."

Mr Bowman believes that consolidating the London markets in a centralised operation, such as Rungis in Paris, was an opportunity missed 30 years ago when the government started moving Covent Garden out of the heart of London.

Consolidation could also help the markets to bear the costs of meeting EC hygiene regulations. These costs are not confined to the meat trade. The corporation fears that Billingsgate could need an extra £20m to be brought up to standard. The regulations differ from market to market but they all entail spending on refrigeration and cleanliness. Supermarkets already comply with them to a greater extent than the markets, so they should incur less added cost, and could thus gain a greater share of the fresh food market – currently rising by 1 per cent to 1.5 per cent a year. Supermarkets account for just over half the fresh produce sold in the UK.

Even if Smithfield and New Covent Garden agreed that joining forces would cut their costs, a merger would not be simple. Legislation would be needed to allow New Covent Garden to sell meat and to allow Smithfield to move.

An even more complicated legal battle is likely if New Covent Garden tries to set up a rival meat market to attract Smithfield's tenants. Nobody has a right to establish a meat market within six and two-third miles of Smithfield, according to a corporation charter. The corporation believes the charter is water-tight; New Covent Garden thinks otherwise.

The matter is now in the hands of the Ministry of Agriculture, which is considering "very carefully" New Covent Garden's proposal to sell meat. Its deliberations are coloured by the government's desire to privatise the market at the best possible price.

A report by Binder Hamlyn, the accountancy firm, two years ago said that New Covent Garden was worth between £20m and £266m, depending on whether it was sold to its tenants or to a property developer. Since its value as a development site has largely disappeared since then, the government may have an interest in bolstering its trading profits. Weighing against the proposals, however, is the prospect of a bitter confrontation with the Corporation of London over selling meat.

The corporation has a battery of reasons why Smithfield should not move. For one thing, it owns Spitalfields, which might be threatened if a "one-stop" meat and vegetable market were set up at New Covent Garden.

For another, the corporation thinks that legislation to allow Smithfield to move could take several years. If a bill was delayed or failed, the corporation would not have time to implement EC hygiene regulations by the December 1995 deadline.

But New Covent Garden's Mr Bowman thinks the corporation's strategy is fundamentally flawed. Its scheme to refurbish Smithfield is "an expensive and, arguably, unsatisfactory compromise solution, which is likely to create as many operational problems as it would solve".

New Covent Garden argues that combining with Smithfield "*would create a market complex* of formidable strength and attraction to customers". The cost of moving Smithfield would be just £11m.

In response, the corporation says the attractions of "one-stop" shopping are overestimated, since relatively few retailers need both markets. It also points out that half of Smithfield's £50m refurbishment cost would be incurred anyway, since repairs to the listed structure are needed.

Nonetheless, most Smithfield traders have told New Covent Garden that they would consider moving if a formal offer were made.

The attraction of New Covent Garden to the tenants lies in its efficiency and ease of access. But it is not clear whether a move would resolve the tenants' concern about rents, since they would face similar increases. The tenants say that they cannot afford such a sharp rise. "We can't entertain it," says Mr Gerry Vincent, who runs the Market Tenants' Association.

The patience of Smithfield's tenants will be put to the test over the next few months because the agriculture ministry is unlikely to rule before then. If it decides that New Covent Garden cannot sell meat, the only route out of the impasse is for the corporation and the tenants to reach a rent agreement. Only then could Smithfield continue to trade on the site it has occupied since the middle ages.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

An Ecu by many another name

From Mr Tim Lund.

Sir, In his Economics Notebook (August 10), Peter Norman perpetuates the non-issue of what the Ecu and its parts should be called. People concerning themselves with this matter should consider: (1) that French and German-speaking Swiss have completely different words for one-hundredth of a Franc; (2) that the French call Britain's currency *la livre*, without the average Brit even knowing, let alone caring; and (3) that when a sub-unit was introduced in the UK at the time of decimalisation, natural linguistic pressure for "p" triumphed over the official preference for "new pence". The peoples – in the plural – of Europe should be allowed to call the Ecu, or any part of it, whatever they want, as in fact they will anyway.

Tim Lund,
Credit Suisse First Boston,
2a Great Titchfield Street,
London W1P 7AA

Welcome given to graduates

From Mr A J Colquhoun.

Sir, Perhaps I can help dispel any unwarranted gloom felt by accounting graduates after reading Sunjay Kakar's article, "Graduates who fail the credibility test in the real world" (August 6).

This institution's student-entry statistics show that the percentage of accounting graduates in each year's intake has remained steady at 19 or 20 per cent for the last seven years.

I believe that this is evidence that, despite the economic climate, firms of chartered accountants welcome applications from graduates with good degrees, whatever the subject.

A J Colquhoun,
secretary and chief executive,
Institute of Chartered Accountants in England & Wales,
Chartered Accountants Hall,
Moorgate Place,
London EC2P 2BJZ

Advice given in return

From Mr Ghino di Tacco.

Sir, I refer to Mr Onésimo Alvarez-Moro's letter (August 7) and his advice for Italians to wake up as soon as possible – I would like to know when the Spaniards woke up, if they did.

The Spanish unemployment rate is at 17 per cent of the workforce; inflation will touch 7 per cent average rate in 1992 and only the government believes that the economic growth will be more than 2 per cent. Real economic indicators show the same results. In fact the Spanish government begged for special help at Maastricht, called the cohesion fund.

Concerning the old tricks, I would advise Mr Alvarez-Moro to read the Spanish newspapers of the last months.

Three or four years of good results, boosted by foreign investments, are nothing in the history of a company, even less in the history of a country.

Ghino di Tacco,
Via del corso 1,
Rome, Italy

Pensions equalisation at 65 at odds with reality

From Mr Bryan Freake.

Sir, Howard Davies, director general of the Confederation of British Industry, called for the state pension age to be equalised at 65 under the title of the "pragmatic option on pension equality" (Personal View, August 7). His concept of what is pragmatic, which is based on highly dubious cost estimates, is a bit limited since it takes no account of the actual pattern of retirements which are now taking place.

Less than a half of men in the age group 60-64 are still working and less than half of women in the 55-60 age group (despite the latter's legal right to work as long as a man in the same job). Furthermore, about half of those who stop work before retirement age do so at the direct instigation of their employers, many of them CBI members, and a good number more retire voluntarily, but under pressure.

MSF also has a pragmatic view of equality and that leads us to argue for a flexible decade of retirement extending from 55 to 65, during which period most people retire, with the full pension payable at 60 when the majority are retired. We argue that the way to keep up activity rates among older workers is for determined action to be taken against age discrimination so as to make it more possible for people to work. This is the real issue that the government and the CBI should be tackling, enriching the employment possibilities of older workers and not conspiring to impoverish their often involuntary retirements.

Bryan Freake,
pensions officer,
MSF,
Park House,
64-66 Wandsworth Common,
North Side,
London SW18 2SH

Reform of UK company law essential to meet present-day needs of ensuring accountability of management

From Dr Maurice Gillibrand.

Sir, According to your report ("CBI and IoD attack corporate governance reform plan", July 30) both the Confederation of British Industry and the Institute of Directors are opposed to the recommendations of the Cadbury Committee in spite of their limited attempt to make company managements more accountable to their shareholders.

This should be a clear message to the government that effective self-regulation is unlikely to be achieved and legislation is therefore the only alternative.

Present company legislation is based on the Limited Liability Acts of 1855-62. These acts created the limited liability of shareholders, and at the same time gave them the right to hold management accountable at the annual general meeting of the company.

The consequences were so profound that they unlocked the door to the commercial developments of the Industrial Revolution and brought such prosperity that Britain became the leading industrial nation.

Nevertheless, company structures have evolved to such an extent that company legislation now bears little relevance to current practice.

In such circumstances reform becomes essential to meet the new situation. In particular, account needs to be taken of the fact that now the majority of shareholders are themselves corporate entities and have ceased to carry out their function at the annual general meeting. Thus, the procedure by which management is held accountable to the shareholders has become nullified.

One consequence has been that boards have become self-perpetuating, since invariably it is only they who originate nominations for directors which are supported at the annual general meeting by the proxies of absent institutions. Additionally, any erosion of accountability increases the complacency of management and decreases the commitment to achieving the full potential of the business.

Thus, many British companies have been unable to compete effectively with their counterparts in Germany and Japan, with adverse consequences to our economy.

In order to reform corporate governance it will be necessary for new legislation either to restore the authority of the annual general meeting or to create, as in Germany, a supervisory tier of representation of shareholders within companies.

Coupled with circumstances in which the government had achieved its commitment to low-level or even zero inflation such legislation would dramatically improve the international competitiveness of British business. Thus, by the Limited Liabilities Act of 1855, a new Companies Act could herald a second era of British prosperity.

Maurice Gillibrand,
7 Tal-y-Cae,
Tregarth,
Bangor,
Gwynedd LL57 4A

OBSERVER

Sir Owen stands down

■ Three cheers for Sir Owen Green. The chairman of BTR, one of Britain's great post-war industrial success stories, has always been a bit of a maverick. He shuns talking shops like the CBI and has some pretty extreme views when it comes to the corporate governance debate. But when it's time to retire, he is a model company chairman.

Whereas the likes of Lord Hanson and Glaxo's Sir Paul Girolami feel that they owe it to their shareholders to soldier on well past retirement, Sir Owen plans to bow out quietly next spring. BTR has a rule that no directors can stand for re-election after they are 65. Since he will be 68 next year, Sir Owen automatically forfeits his seat on the board when his current term expires.

BTR, formed out of the old Birmingham Tyre and Rubber Company, has been going for close on 100 years. But it was not until Sir Owen came on board in the mid-1950s that it began to motor. Along with his key lieutenants – John Cahill (now chairman of British Aerospace), Bowater chairman Norman Ireland and the late Don Tapley – Sir Owen built BTR into one of Britain's top dozen companies.

He more than anyone can feel proud of what he has created – a company employing 140,000 people and with a market capitalisation bigger than ICI's. His annual salary of £217,000 is modest by comparison with Lord Hanson's £1.4m.

It will be interesting to see how BTR copes with Sir Owen's departure. In terms of boardroom upheavals it is not like Lords White and Hanson quitting their company. BTR has had an outside chairman before – Sir David Nicolson did the job for 15 years until 1984 – and it has changed its chief executive twice since it split the roles in 1986. BTR has shown that it can handle the succession question.

Even so, finding a successor could prove difficult since BTR has never gone in for non-executive directors. Cahill and Ireland are too old and Alan Jackson, the current chief executive, is too untested to be allowed to combine the chairmanship as well. In most big companies a potential chairman would have had at least a couple of years on the board to get a feel of his new company. If Sir Owen is to be faulted it is for not preparing the ground well enough.

Right move?

■ Is Stephen Mulholland, the abrasive managing director of Times Media (TML), the South African media group, about to follow in the footsteps of the late tycoon Robert Holmes à Court and cricketer Tony Greig and try and make his mark in Australia?

Speculation is rife that he is about to take off round the world to head the Fairfax publishing empire in Australia. Although he has acknowledged that he has been approached by "an Australian publisher", he said he was happy in South Africa. He has, however, sold out of TML where he was previously the largest individual shareholder.

Mulholland would be in his element in the land of plain speaking. A robust, self-made man with outspoken free-market views, he is notorious for his short temper and a manner abrupt to the point of rudeness. Some who have worked for him regard him as a crude bully; others have been stimulated by his no-nonsense, can-do attitude.

The former editor of the weekly Financial Mail was promoted in 1986 to try to rescue TML's stricken predecessor, South African Associated Newspapers (SAAN), which had been bled dry by losses incurred at the Rand Daily Mail and the Sunday Express, both closed in 1985. He succeeded immediately and the group has made handsome profits.

While shareholders may approve of his tenure, journalists are more sceptical. Many equate Mulholland with the triumph of profit over principle and hold him responsible for a general retreat from the liberal ideals upheld by the Mail and the Express.

Sounds just the man for the job. Funny it's taking so long to appoint him.

"The fifth horseman"

Moving down

■ Tut, tut. Observer hears that estate agents Healey & Baker are trying to let some "outstanding offices" on the 7th floor of the plush Lansdowne House in London's Berkeley Square. Is not this the nerve-centre of Charles and Maurice Saatchi, the advertising men who helped the Tories win the election?

It sounds as if the bean counters running Saatchi & Saatchi are trying to squeeze every last cent out of their assets and the brothers are going to have to do their bit. While the rest of the Saatchi advertising machine has long since decamped to cheaper premises, Charles and Maurice have held out in their palatial Lansdowne House offices.

However, it seems that they may well soon be moving out. Healey & Baker are offerring the offices for £42.40 a square foot, which is a good £20 less than Saatchi paid in the heady days of 1988. Any offers?

Good shot

■ The TSB's sponsorship of Roy of the Rovers, the cartoon football hero, has opened up a whole new field for sporting-business links. Melchester Rovers star Roy, who first appeared in the Tiger comic in 1954, has great attractions for a sponsor; unlike a real footballer, his private life is immune from sordid revelations in tabloid newspapers.

So which comic book hero will be next to attract the sponsor's eye? Perhaps Pizzaland could back the Teenage Mutant Ninja Turtles? And those loveable libertarians at the National Rifle Association would be an obvious sponsor for Bambi. And how about Rentokil sponsoring Mickey Mouse?

Spare room

■ Hoteliers have been warned to hide the key to Room 44 ....at least if Japanese tourists arrive at reception. The word four sounds too much like the Japanese for death and should be avoided, says a new guide from the Wales Tourist Board.

FINANCIAL TIMES
Tuesday August 11 1992

I G Metall leader says central bank should be more accountable

Curbs sought on Bundesbank

By Christopher Parkes in Bonn

THE "uncontrolled power" of Germany's independent Bundesbank should be balanced by greater accountability to parliament and other democratic institutions, according to Mr Franz Steinkühler, head of the I G Metall trade union.

While the central bank paid "extensive and excessive" attention to inflation, it neglected its other legal and economic responsibilities, the metal workers' leader said in a newspaper article yesterday.

Laws governing the central bank obliged it to support the overall economic policies of the government, he wrote. Price stability was only one of its responsibilities. Others included increasing employment, steady economic growth and foreign trade balances.

He wrote in Handelsblatt, a German financial newspaper, that the bank "sets itself apart from the democratic exchanges over economic policy aims with its extreme and one-sided focus on price stability".

He proposed that the bank present reports at least once a year for debate in the Bundestag. Parliamentary committees should be able to summon officials to hearings, and the bank should have a new advisory committee to reflect the views of society at large.

Democratising German monetary policy in this way was all the more important in the light of the planned establishment of an independent European central bank, he said.

This, too, should have increased accountability. The right to hearings and consultation should apply not just to the European Parliament but to the economic and social committee, for example.

Referring to the recent controversial increase in the discount rate, he said indirect attempts to control inflation through attacking money supply had negative side-effects.

"All too often a blow aimed at money supply ends up hitting companies' solvency and their ability to invest," he claimed.

Seizing on the political and business criticism – at home and abroad – of July's rate increase, Mr Steinkühler said the protests must be taken to heart and the bank should be set new aims.

Although the governing coalition was upset by the Bundesbank's latest move, which was against the wishes of Mr Theo Waigel, finance minister, the parties rejected the union leader's proposals.

"Price stability must remain the main aim of our economic and finance policy," said Mr Gunnar Uldall, representing the main Christian Democrat-Christian Social Union group.

German privatisation, Page 2
Eastern Germany's struggle for unification, Page 12

War games: US marines pour out of a helicopter during military exercises at a Kuwait airbase, close to the Iraqi border

THE LEX COLUMN

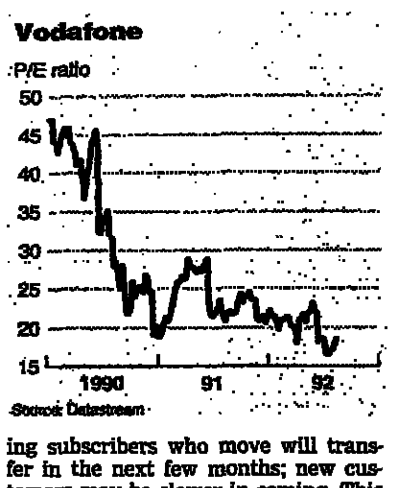
Looking to the future

With UK equities sliding uncomfortably lower it is only natural that the market should be looking to apportion blame. On most conventional valuations, equities look like a firm buy. Yesterday's 1 per cent fall had more to do with the gloom emanating from Japan than any single domestic factor, but the market is looking closer to home for a scapegoat. The growing volume of futures trading relative to the size of the cash market seems to fit the bill.

Volume in the cash market is not unseasonally low. At £13bn, July turnover of FT-SE stocks was actually slightly above July last year. Yet the centre of gravity is certainly shifting towards the floor of Liffe. The FT-SE future traded more stock than the underlying shares last month. So far this year the cash market and futures are running neck and neck. Both show volume of around £90bn.

Similar concerns in Japan have prompted measures to make index futures trading more expensive. However, trading of equity futures and options is twice the size of the cash market in the US, suggesting there is nothing sinister about the growth of futures trading in itself. Indeed bearish sentiment in the cash market may have driven business towards futures as institutions search for liquidity and market makers hedge long positions. The independent traders operating from the FT-SE future pit may seem candidates for the lynch-mob. The future seems to be leading the cash market lower but the pit operators' efforts would be swamped if only institutional investors were prepared to back their valuations with hard cash.

FT-SE Index: 2325.7 (-24.4)



Vodafone

Following Cellnet's lead, Vodafone is about to announce an alternative set of tariffs for users of cellular phones. The new charges will be similar on both networks and emphasise lower line rentals but higher peak call rates. The change is being marketed as an attempt to bring cellular to a wider range of occasional users, but carries risks. Vodafone and Cellnet have both made the nice calculation that they can increase revenues from new subscribers by more than they lose as a result of existing users transferring to the cheaper tariff. In Vodafone's own estimate it will be close. Others are not so generous.

All concede that it will mean lower revenues than would have been expected for the next couple of years. Existing subscribers who move will transfer in the next few months; new customers may be slower in coming. This may not amount to a price war but it is hardly the brave new world where marketing hype projected cellular revenues growing geometrically forever.

One reason for the tariff changes is that the cellular world is about to get more complicated. Next year new digital and personal communication networks are due to be launched, which the backers hope will bring cellular to the mass market. New tariffs are one way of keeping conventional cellular competitive. But in the wait for a mass market, such keen competition smells of slowing growth.

The wider question is whether the mass market will arrive. Cellular has proved itself a useful business product with a finite constituency. Whether individuals need or even want millions of mobile phones remains to be proved. Judging by its steady erosion of Vodafone's price earnings ratio, the market has yet to be convinced that the cellular growth trick can be turned twice.

UK economy

The UK government has painted a slightly less bleak picture of consumer behaviour with yesterday's revision to its credit statistics. The picture could also be more accurate despite the confusing presentation of the change. This involves stripping out debt write-offs by lenders from the figure for net movements in consumer debt with the hope of reflecting more closely the actual behaviour of consumers during the month in question. The revised figures show small net borrowing by consumers during the first five months of the year compared with a net repayment of debt for every month except February on the old basis. The snag is that June shows a repayment on of £55m the new basis too.

Admittedly these fluctuations are trivial compared with total outstanding credit of nearly £30bn. But there is little sign that a savings ratio of 11.5 per cent in the first quarter left consumers comfortable with their level of debt in the second. Expectations that rising real wages would eventually persuade individuals to borrow and spend seem increasingly forlorn. Instead it may now be time to start asking whether the savings ratio will eventually settle at a rate rather higher than expected just a few months ago.

Forte

Ever more insistent talk of boardroom changes at the Forte is doing little to restore confidence in the company's share price. Admittedly, yesterday's fall took the shares a mere 1p lower to 138p but they have still underperformed the market by 35 per cent since the start of the year. Part of the problem is continuing uncertainty about the outcome of Forte's boardroom review. Equally important are the fundamental problems facing the company. They will not go away just with the addition of a few fresh and younger faces to the board.

Not only is the UK hotel business deeply still blighted by the recession. The weak dollar is hardly designed to help boost the spend by US tourists. The company appears to lack strategic direction after coming so close and then failing to sell its contract catering business at what would have been by all accounts an attractive price. For the second year running the dividend is likely to be uncovered.

To be sure, Forte is operating on a broadly cash neutral basis, even allowing for a maintained dividend and some £150m of capital expenditure this year. But its decision to postpone the rebranding of its US Travelodge hotels shows the purse strings are having to be held tight when it would make sense to be spending on expansion in Europe. Assuming the company can manage a modest increase in profits this year it is trading on a forward multiple in the high teens, which is roughly twice that of Queens Moat. The shares are still expensive, however respectable the name.

Chinese speculators riot over shares chaos

By Reuter in Shenzhen

TENS OF thousands of Chinese stock speculators yesterday rampaged through the southern city of Shenzhen to denounce alleged official corruption over the allocation of shares, witnesses said.

In some of the worst violence to affect China's recent experiment with stock market capitalism, protestors chanting "Down with corruption" kicked and beat plain-clothes police, set a van ablaze and overturned several vehicles.

Up to a million people flooded into Shenzhen, an industrial city bordering Hong Kong which has become a showcase for China's reform drive, over the weekend to buy share application forms.

The congestion led to accusations of official corruption – one protestor said police had helped their relatives to find good places in queues. Riot police fired at least 10 teargas shells in one part of Shenzen and in another area demonstrators chased a group of about 10 officers.

China's two stock markets in Shanghai and Shenzhen have had a turbulent history since they reopened officially in 1990 and last year respectively under free market reforms.

Shanghai trading has been marked by several stampedes while two men were murdered earlier this year in Shenzhen as gangsters fought over positions in queues of share buyers.

Analysts say it is vital for the authorities to restore order on the markets. With backing from senior leader Deng Xiaoping, who visited Shenzhen early this year, stock markets have flourished in recent months and prices have soared.

The chaos did not dampen the Shenzhen bourse. Brokers said disappointed investors who failed to buy application forms put their cash in the market, sending prices of "A" shares reserved for Chinese citizens to a record close.

UK banking customers take legal action over cash machines

By Tim Lawrence in London

UK BANKS and building societies face the prospect of a High Court action this week which will try to prove legally for the first time that hole-in-the-wall cash dispensers are fallible.

However, Mr Denis Whalley, a solicitor who is preparing the cases of about 400 alleged victims of "phantom withdrawals" from automated teller machines (ATMs), believes the banks and building societies are doing their utmost to avoid appearing in court. Their blanket defence that ATMs are infallible has not been legally tested in any country.

After months of resistance, there has been a sudden flurry of *ex gratia* payments of up to several hundred pounds to customers who were preparing to take financial institutions to court, by the banks and building societies said Mr Whalley.

Mr Richard Tyson-Davies, of the Association of Payment Clearing Services, the inter-bank organisation which handles cheque-clearing and other payment systems, said he was not aware of any "run for cover".

He said he expected the financial institutions to fight the court action prepared by Mr Whalley.

Mr Whalley believes the *ex gratia* settlements are unsatisfactory. "You do not cure a toothache by taking an aspirin. Eventually you have got to go to the dentist."

He will attempt to prove that withdrawals can be made from ATMs through no fault or involvement of the card holder.

The banks argue that there is no such thing as a phantom withdrawal. The card and the personal identification number (PIN) are needed to withdraw cash and because card holders undertake to keep their PIN secret, no withdrawal can take place unless the holders break their side of the contract, according to the banks.

Mr Tyson-Davies said ATM fraud is not a serious problem: "Out of £165m ($315m) worth of plastic fraud last year, under £3m occured through ATMs. There is no evidence that somebody has found a way into the system."

Mr Whalley has prepared about 30 cases and plans to add new cases week by week. Many of them take a long time to handle because of requirements involved in administration of state aid for legal fees.

NATIONAL Westminster is writing to all its credit card holders after problems with the computer system which processes 14m card accounts, more than half of all of those in Britain. The bank is also believed to be considering seeking compensation from First Data Resources, the operator of the computer system. Page 6

Phantoms that haunt the banking network, Page 7

US-Israel summit

Continued from Page 1

priorities," said Mr Rabin. "We believe that the real problems are in the domestic field, in addition to making a real effort to negotiate peace seriously without endangering Israel's security."

The talks, attended by Mr James Baker, the US secretary of state, are expected to cover a broad range of Middle East and international issues, including Iraqi president Saddam Hussein's latest challenge to United Nations' resolutions and the crisis in Bosnia-Hercegovina.

Israel has substantially cleared the way for the US to approve loan guarantees for up to $10bn by imposing a virtual freeze on building new Jewish settlements in the Arab territories occupied during the 1967 war.

The US refused to accede to Mr Shamir's earlier loan guarantee request, insisting that the commitment of his Likud party to building more settlements in the West Bank and Gaza was a serious obstacle to the peace process.

Mr Rabin has also pledged to negotiate speedily with the Palestinians the establishment of an interim self-governing authority for the West Bank and Gaza, pending final agreement on the ultimate status of the territories.

The possible shape of such an interim arrangement was formulated by Egypt, Israel and the US in the 1978 Camp David negotiations, but rejected at the time by the Palestine Liberation Organisation and by Arab governments.

A Jordanian newspaper claimed yesterday that Israeli and Palestinian representatives had already reached an agreement during secret talks in Cairo on limited autonomy for the West Bank and Gaza.

UN plan

Continued from Page 1

protect the flow of relief to victims of the fighting in Bosnia.

It said Britain was negotiating with the US and France to determine what each would contribute to an envisaged escort force to protect aid convoys.

According to Downing Street, Britain has said it would be prepared to help with air cover, while the supply of ground forces had not been ruled out.

Officials said the precise role and structure of the escort forces involved a delicate balance to keep the UN on board.

The UN was also nervous about changing the role of its forces on the ground from peace-keeping to peace-making.

In Geneva, the International Committee of the Red Cross confirmed it had got permission to visit Serb-controlled detention camps in Bosnia.

World Weather

		°C	°F
Ajaccio	F	28	82
Algiers	S	29	84
Amsterdam	R	18	64
Athens	S	36	97
Bahrain	S	37	99
Bangkok	C	33	91
Barcelona	S	25	77
Beijing	F	29	84
Beirut	S	29	84
Belfast	C	14	57
Belgrade	S	36	97
Berlin	S	31	88
Biarritz	S	22	72
Bombay	F	30	86
Bordeaux	F	23	73
Boulogne	F	18	64
Brussels	R	16	61
Budapest	S	35	95
Buenos Aires	F	12	53
Cairo	S	35	95
Cape Town	S	17	63
Caracas	C	29	84
Casablanca †	F	25	77
Chicago †	S	23	73
Cologne	C	19	66
Copenhagen	S	28	82
Corfu	S	35	95
Dallas †	S	26	79
Dublin	C	16	61
Dubrovnik		-	-
Edinburgh	S	17	63
Faro	S	25	77
Florence	F	22	72
Frankfurt	F	21	70
Geneva	C	20	68
Gibraltar	S	28	82
Glasgow	C	17	63
Helsinki	F	19	66
Hong Kong	F	32	90
Innsbruck	F	22	72
Inverness	F	16	61
Islamabad	F	33	91
Istanbul	S	32	90
Jakarta	C	33	91
Johannesburg	S	12	54
Lisbon	S	24	75
London	F	21	70
Los Angeles †	C	20	68
Luxembourg	C	18	64
Madeira	F	23	73
Madrid	S	27	81
Majorca	S	30	86
Malaga	S	27	81
Malta	S	33	91
Manila	C	31	88
Melbourne	C	8	46
Mexico City	C	22	72
Miami †	F	26	79
Milan	S	26	79
Montreal †	C	19	66
Moscow	F	20	68
Munich	S	24	75
Nairobi	F	17	63
Naples	F	31	88
Nassau	R	33	91
New Delhi	R	27	81
New York †	C	22	72
Nice	S	29	84
Nicosia	S	34	93
Oporto	F	20	68
Oslo	C	18	64
Paris	F	22	72
Prague	S	31	88
Reykjavik	F	13	55
Rhodes	S	32	90
Rio d Janeiro	C	29	84
Rome	T	29	84
Salzburg	F	27	81
S Francisco †	S	13	55
Seoul	C	29	84
Singapore	F	28	82
Stockholm	F	25	77
Strasbourg	C	18	64
Sydney	F	18	64
Taipei	F	34	93
Tangier	S	25	77
Tel Aviv	S	32	90
Tenerife	S	24	75
Tokyo	F	31	88
Toronto †	F	17	63
Tunis	F	33	91
Valencia	S	30	86
Venice	R	22	72
Vienna	S	36	97
Warsaw	S	35	95
Washington †	S	24	75
Zurich	R	16	61

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr - Drizzle
F – Fair Fg – Fog H - Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T - Thunder

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INSIDE

Japan's banks try to bolster capital

Japanese banks are preparing to issue perpetual floating-rate notes, in spite of the high cost of such instruments, in their latest effort to build up depleted capital. Yesterday's 3 per cent drop in the Nikkei stock index to almost 15,000, its lowest since March 1986, has placed further pressure on the banks, whose stock holdings count towards capital under Basle bank capital rules. Page 19

Henlys prepares its defence

Henlys Group, the UK motor trader and bus and coach company, yesterday made a forecast for the current year as part of its defence against a hostile bid from rival T Cowie. Henlys expected to "at least break even" in the second half of 1992, after reporting a first-half loss of £898,000 ($1.7m). Page 20

Getting a taste for goats

While US presidential hopefuls attempted to woo voters, another gala affair to drum up support was under way on Washington's Capitol Hill. The American Dairy Goat Producers' Association put on the party, according to its publicity, "to introduce you to the wonderful world of dairy goats". Goat products from cheeses to ice creams were there for the tasting. Page 21

Computer problems head east

Japan's full-line computer manufacturers – which make every size of computer from notebooks to mainframes – are discovering they are no longer immune to the commercial realities which have hit their western competitors. Page 18

Global gloom in the markets

With a 1.4 per cent fall in local currency terms last week, the FT-Actuaries World Index reflected a global sense of depression, thin trading, and traders and investors unwilling to take risks heightened by the low volume of business. Back Page

Escom drops Eurobond launch

South Africa's Electricity Supply Commission (Escom) has abandoned plans to launch a $150m Eurobond in September, as investor appetite for the offering has evaporated because of political uncertainty over the country's future. Page 19

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Storage Tech	27⅛	–	6⅛
Falls				**PARIS (FFr)**			
Bil. & Berger	870	–	32	**Falls**			
Hochtief	977	–	43	BIC	785	–	22
Holzmann Ph	912	–	54	Cap Gemini S	208.3	–	13.7
Kaufhof	487.5	–	19.5	Eli-Aquitn Crts	218	–	14
Lahmeyer	630	–	30	Gal. Lafayette	1960	–	128
Linotype-Hell	365	–	15	Paribas	317	–	11.5
NEW YORK ($)				Peugeot	616	–	26
Rises				**TOKYO (Yen)**			
Hewlett Pack	60⅜	+	1½	**Falls**			
IBM	88¼	+	1⅜	Daiichi Hsg Ln	130	–	20
McDonnell	37½	+	2⅛	Lec	11	–	4
TJX	20⅞	+	¾	Mitsuboshi Belt	340	–	50
Falls				Mitsui Sugar	347	–	51
Procter & Gamble	49¼	–	⅝	Techikawa	1860	–	290
				Tokimec	340	–	50
LONDON (Pence)				Cook (DC)	24	–	7
Rises				Eurocamp	288	–	14
BritAirways	261	+	7	Granada	231	–	10
Evered Bardon	30	+	3	GUS A	1323	–	41
Filofax	45	+	4	Kewill Systs	94	–	7
Gen Accident	390	+	10	Laing (J) A	120	–	12
Gleeson (MJ)	633	+	50	Lonrho	76	–	4
LeamthBurcht	120	+	16	Mowlem (J)	57	–	6
SelecTV	12½	+	3	PWS	31	–	5
Falls				Relyon	131	–	12
BICC	245	–	15	Thorn EMI	686	–	18
Berkeley Grp	194	–	19	Warburg (SG)	421	–	19
Brake Bros	363	–	15				
Bromsgrove	75	–	13				

Hutchison Whampoa seeks HK$4.4bn

Li Ka-shing leaves market guessing as he moves on 120m shares, writes Simon Holberton in Hong Kong

HUTCHISON Whampoa, the diversified trading company controlled by Mr Li Ka-shing, yesterday sought to raise HK$4.47bn (US$579m) through a placement of 300m shares at HK$14.90.

Hutchison, which last week reported a loss and cut its dividend, left the market guessing as to why it needed the money. Mr Li will subscribe to 120m shares and Peregrine Capital, a company connected with Mr Li, intends to place the remaining 180m shares with "independent third parties".

Last month, during Hutchison's acquisition of Cavendish International, Peregrine's broking subsidiary was advising international and local fund managers to sell Hutchison shares. The brokerage said Hutchison was likely to underperform the stock market in the short term, but represented long-term value. Yesterday a Peregrine analyst said: "Institutions have been underweight in Hutchison. We think at these levels it offers an entry into an attractive recovery stock."

Since last Thursday's announcement of a HK$78m interim loss, Hutchison executives have refused to talk to local analysts or reporters about the company.

Local analysts said the statement Mr Li released with the interim results raised more questions than it answered. In particular, his bearish comments about the performance of Hutchison's UK telecommunications subsidiary sat oddly with comments by Mr Simon Murray, the company's managing director, that the business was performing well.

Hutchison has underperformed the local Hong Kong market for some time. During the past year the company has underperformed the market by more than 45 per cent. Since the beginning of the year, it has underperformed by 20 per cent.

In March and May last year Cheung Kong sold 273m Hutchison shares – through the issue of covered warrants – at an average price of HK$17.89.

Hutchison's fall into first-half losses came after a HK$1.42bn write-down on its investment in Husky Oil, a Canadian oil and gas producer. A year earlier the company wrote off HK$760m for a fall in the value of Husky's oil and gas reserves.

Its interim dividend was cut by 20 per cent to 16 cents a share from 20 cents. First-half turnover advanced to HK$10.2bn from HK$9.4bn, while operating profits slipped to HK$1.9bn from HK$2bn.

Lonrho asked to clarify relationship with Libya

By Roland Rudd in London and Julian Ozanne in Nairobi

THE London Stock Exchange has asked Lonrho, the international conglomerate, to clarify its relationship with the Libyan government.

The request follows an interview in the Sunday Times with Mr Omar Muntasser, the Libyan minister of finance, who was quoted as saying that Lonrho and the Libyan Arab Foreign Investment Company (Lafico) has established a joint-venture company to develop their combined interests in Africa.

In May Lonrho told the exchange that it had not had any discussion with Libyan concerns to sell its African interests and described reports suggesting otherwise as "malicious, irresponsible and unfounded".

Exchange officials now want Lonrho to clarify its relationship with Lafico, the main investment vehicle of Col Gadaffi, the Libyan leader.

In order to avoid a false market being created in Lonrho's shares, exchange officials want to know whether there is any more information concerning Lonrho's operations with Lafico which could be put into the public domain.

The exchange is to monitor the situation closely over the next few months.

Mr Paul Spicer, Lonrho's deputy chairman, declined to comment. Lonrho's shares yesterday fell 4p to close at 76p.

Meanwhile, Mr Sam Jonah, managing director of Ashanti Goldfields Corporation (AGC), denied reports that Lonrho had any intention of transferring its 45 per cent stake in the company into a joint venture with the Libyans.

Mr Jonah said: "Let me state categorically there is no short-term, medium-term or long-term intention to divest the Lonrho stake in AGC.

"In fact we would like to acquire further equity if the Ghana government [which owns the other 55 per cent of the company] thinks it in the interests of the economy."

A senior government official in Ghana yesterday confirmed its plan to float up to 20 per cent of the company in London and other international stock markets. Any equity participation by Libya in AGC would probably rule out such an international sale.

A senior official in the office of the president of Ghana said that under Ghanaian law any transfer of shares in a mining company would require the prior consent and approval of the government. He said the government had not been informed of any change in Lonrho's holding in AGC.

Signs of life stir in the loans market

Hopes are being raised of a return by blue chip borrowers, writes Sara Webb

Bankers in the international syndicated loans market have a tendency to note details of individual loans with the keenness of train-spotters or ornithological twitchers. Recently, they have had good reason to watch the market like hawks.

Over the past few years, pricing on syndicated loans has risen steadily, reflecting the banks' concern about meeting capital adequacy requirements and their desire to improve margins on lending. While companies are under pressure to raise funds as cheaply as possible, bankers found that loans which were too tightly priced were often difficult to syndicate as other banks were unwilling to participate in the deals.

However, conditions appear to be changing. Some better-rated corporate names are finding it easier to obtain more tightly priced loans. These signs that loan pricing may be starting to fall have raised hopes that more blue-chip companies may be encouraged to return to the international syndicated loans market, leading to improved activity.

Bankers have watched three loans with interest: an Ecu499m ($688.6m) loan to the European Community; a £150m ($286.5m) loan for Argyll, the UK food retailer; and a £290m financing for AMP (UK), the UK subsidiary of Australia's biggest insurance group.

The EC's three-year loan carries a margin of 3.125 basis points over the London interbank offered rate (Libor) with a participation fee of 10 basis points. The pricing is particularly tight on this loan because the EC is a Triple-A rated borrower which is Zero-risk weighted for capital adequacy purposes. Also, the participating banks hope to win more business as a result.

Argyll's 5-year £150m facility is intended to help finance the group's store developments. Argyll is borrowing at a margin of 37.5 basis points over Libor – which bankers describe as extremely favourable for the company. Mr Colin Smith, finance director at Argyll, said the money was raised "very smoothly ... we were delighted with the response from our relationship banks".

This week, bankers will watch the response to another finely priced deal – from AMP (UK). Fuji Bank, which competed fiercely for the mandate, is arranging and underwriting the deal, consisting of a revolving credit facility and a commercial paper backstop facility. While the margin on the loan is considered small, banks will be rewarded with fairly generous fees.

The funds will be used to help refinance a £525m 3-year facility (of which only £250m is outstanding) which matures in September 1992: the old loan has a margin of 25 basis points over Libor, and a 12.5 commitment fee. The new facility has a margin of 20 basis points with a commitment fee of 10 basis points on the undrawn part of the standby.

Companies such as Argyll and AMP can command tight terms because they are considered top-quality borrowers. The question remains whether these indications of lower pricing will encourage companies to return to the syndicated loans market, which has bordered on comatose for 18 months, in sharp contrast to the late 1980s when banks fell over each other to lend, and takeovers and mergers stimulated demand for loans.

Competition among banks to lend was tough, allowing companies to borrow cheaply. However, conditions in the loans market have deteriorated. The recession in the Anglo-Saxon economies has depressed takeover activity and reduced investment in capital equipment.

Many banks have been hit by company failures resulting from injudicious lending practices and difficult economic conditions. The need to follow the Basle guidelines on capital adequacy has made many banks, especially Japanese (an important source of finance in the late 1980s) more selective about their lending.

Average spreads on new loans have risen from about 50-60 basis points in 1989-1990 (with prime corporate borrowers often obtaining funds at all-in costs below 40 basis points) to around 80 basis points this year, according to the recent OECD report *Financial Market Trends, June 1992*.

Meanwhile, volumes have dropped sharply. Activity in the international syndicated loans market plummeted in the first half of 1992 as borrowers scaled back their bank financing and switched to the international bond and equity markets for funds.

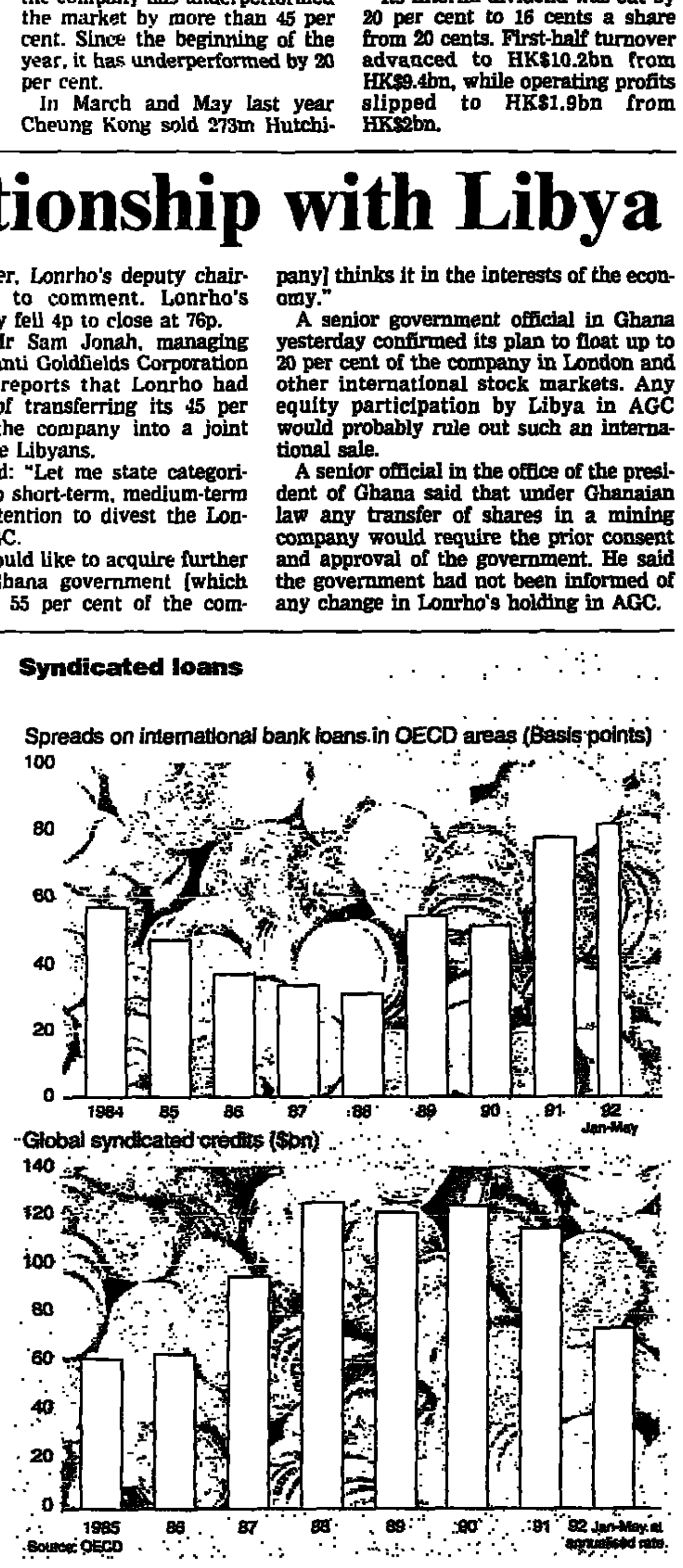
"There's been so little activity in the market that banks are now hungry for assets. They are ringing each other up trying to get in on deals to the top names," says one banker. A Swiss banker says: "Pricing is more aggressive for top quality names."

However, the news may be a mixed blessing. Bankers, anxious about low volumes in the loans market, want borrowers to return to the market to refinance outstanding facilities or raise new funds. Yet few bankers want margins to fall.

"Very few banks are making good profits on their syndicated loans business," warns one UK banker. Instead, banks are prepared to participate in such syndicated loans in the hope that they will lead to more lucrative business – for example in foreign exchange or letters of credit.

Few bankers believe pricing will return to the levels of a few years ago – but the more optimistic hope that if top-quality names are encouraged back to the loans market by better borrowing terms, the phones on the loans desks might ring again.

Syndicated loans



Sabena cuts first-half loss to BFr300m

By Andrew Hill in Brussels and Daniel Green in London

SABENA, the Belgian state airline, made an operating loss of BFr300m ($9.87m) in the first half of 1992 – a sharp improvement on its performance in early 1991.

Sabena did not reveal directly comparable figures for its operating results, but a year ago it said it had an operating loss of BFr2.16bn for the first four months of 1991.

This year's losses were the result of world overcapacity and airline price wars, said Sabena, which, since earlier this year, was 37.5 per cent owned by Air France.

It said that the second quarter of 1992 "had not followed the positive trend of the first quarter".

Both the yield – revenue per aircraft or passenger – and the total revenue fell between the first and second quarters.

Sabena warned that results for the second half were uncertain, depending on the progress of the recession and the strength of the US dollar, which affects ticket revenues, and fuel and aircraft costs.

The first-half performance was patchy, with some operations doing well.

Passenger traffic increased by 10.3 per cent in Europe, compared with the first half of 1990 – the last comparable period unaffected by the Gulf war, which drove passengers away from air travel.

Traffic on the African network was up by 5 per cent against the first half of 1990, but transatlantic passenger traffic dipped by 16 per cent and Asian traffic by 7.8 per cent.

In 1991 the group made an operating profit of BFr2.13bn following a 1990 loss of BFr7.15bn.

The airline announced 500 management job cuts in May as part of a programme to shed 2,200 employees. About 1,800 employees have left under a government-sponsored pre-retirement scheme.

A link-up between Sabena and Air France was finally signed in April, but is still subject to approval by the European Commission's competition authorities.

Sir Leon Brittan, the EC competition commissioner, said last month that he expected the deal – a BFr6bn cash injection in exchange for the stake – to fall under EC merger regulations.

PolyGram to buy 51% in film maker

By Michael Skapinker, Leisure Industries Correspondent

POLYGRAM, the music company 80 per cent owned by Philips of the Netherlands, is spending $35m to acquire a 51 per cent stake in the film producer Interscope, which made Three Men and a Baby.

The deal will lead to the winding down of Interscope's two-year-old joint venture with Walt Disney Studios and Nomura Babcock & Brown, an affiliate of Nomura Securities.

The deal, which will be financed out of cash flow and available funds, is a further step in PolyGram's aim of increasing its presence in the film business. The company said yesterday that it might end up spending more than the $200m it originally earmarked for expenditure on film. Last year PolyGram took control of Propaganda Films, makers of In Bed with Madonna, and Working Title, which made My Beautiful Launderette.

The $35m will include payment for the services of Mr Ted Field, Interscope chairman and chief executive, and of Mr Robert Cort, chief operating officer. Mr Field, an heir to the Marshall Field retailing fortune, made his first film, Revenge of the Nerds, in 1984. Mr Cort is a former Central Intelligence Agency employee turned film-maker.

Under PolyGram's majority ownership, Interscope, which has also produced Cocktail and The Hand that Rocks the Cradle, will make eight films over the next two years, rising to nine or 10 annually by 1997.

Walt Disney Studios will initially distribute these films in the US and Canada, while PolyGram will handle them elsewhere. PolyGram says, however, that it intends eventually to become the worldwide distributor of Interscope's films. Interscope will continue its current projects with Walt Disney Studios, but will make subsequent films in-house.

Film funding will be provided by PolyGram, but Interscope will continue to seek co-funding. Interscope said yesterday that by the end of 1993 it will have committed the funds previously raised by Nomura for co-financing film productions. Nomura will, however, retain the option of raising additional money for Interscope.

Exit provisions in the agreement allow PolyGram to limit its exposure if Interscope performs significantly below expectations.

Pilkington in $300m placement

By Maggie Urry in London

PILKINGTON, the UK glass group, has arranged a $300m private placement of long-term debt securities with US investing institutions. The funds will be used to repay other short-term borrowings, such as part of Pilkington's $227m unsecured multi-option facility, which expires in 1995.

The deal, first mooted in the spring, was increased from an original size of $200m when it met strong demand from investing institutions such as insurance companies.

The securities, in five tranches, range in maturity from six to 20 years, with an average life of 12 years.

In 1990, Pilkington did a $200m private placement with maturities ranging from 1995 to 2010.

The 10-year portion is paying 1.45 percentage points over US Treasury bonds and the 20-year portion is paying 1.75 percentage points over Treasuries, giving an interest rate of under 9 per cent.

Although the debt pays fixed rates of interest, the proceeds have been swapped into floating-rate funds taking advantage of the current low short-term interest rates in the US.

Pilkington's business has been badly hit by the recession as its main customers are in the construction and automotive industries. Profits have fallen from £325m pre-tax in the year ended March 31 1989 to only £77m ($147m) in the last financial year, although this was after exceptional charges of £37m. The group also cut its annual dividend from 10.5p to 6p a share.

At the annual meeting last month, Sir Antony Pilkington, chairman, said that so far current year results were down on the previous year.

At the year-end the group's net debt, including finance leases, was £760.2m, while shareholders funds plus minorities totalled £1.15bn.

Mr Stephen Schechter, managing director of Wertheim Schroder, which arranged the private placement, said that the group had been given a top rating by the US National Association of Insurance Commissioners.

He added that although Pilkington's debt was not publicly rated, he regarded it as a single-A credit.

He said that in spite of Pilkington's current difficulties, US investors believed the company would survive the recession.

Six-month sales static at French groups

By Alice Rawsthorn

SEVERAL large French groups, including Peugeot, the car maker, yesterday reported static sales for the first half of the year reflecting the sluggish state of the country's economy.

Peugeot, which saw its shares slide last week on the news that its share of new car sales in France had fallen in July, reported a 3 per cent rise in overall turnover from FFr80.3bn in the first half of 1991 to FFr82.6bn ($16.7bn) in the same period this year.

The group experienced a fall in sales of nearly 4 per cent in the second quarter after seeing sales increase by 10 per cent in the first quarter of the year.

Mr Jacques Calvet, chairman, recently warned that the European car market was likely to fall by 1.5 per cent in unit sales this year and unlikely to recover until the very end of the year.

The scenario of sluggish sales in a weak economy was replicated by other large French industrial and service sector groups reporting their half-yearly figures yesterday.

L'Air Liquide, the industrial gases concern, saw its sales rise by a marginal 0.39 per cent, below the rate of inflation, to FFr15.42bn in the first half.

Colas, the construction company, mustered a 3.6 per cent increase in turnover from FFr5.27bn in the first six months of 1991 to FFr5.46bn in the same period this year. Bongrain, the food group, saw sales rise by just 2.5 per cent to FFr4.85bn in the first half.

Publicis, one of France's largest advertising agencies, suffered a slight fall in sales of 0.9 per cent to FFr53.2m in the interim period. Bidermann International, a leading textile concern, suffered a 14.8 per cent decline in sales to FFr1.83bn.

These static sales figures come when the French economy is still growing, despite low consumer confidence in the face of relatively high interest rates and rising unemployment. Consumer demand slackened in the second quarter of the year, after rising slightly in the first.

The level of confidence in the industrial sector has also declined since the opening months of the year.

The building trade suffered a fall in activity during the first half of the year, according to a study published yesterday by INSEE, the state statistics institute. However, the French government has so far shown no sign of relaxing its rigid grip on the economy.

Prima interest payments start

PRIMA Inmobiliaria, a Spanish real estate company controlled by the Kuwait Investment Office (KIO), yesterday began making interest payments under a debt moratorium plan presented to creditors last week, Reuter reports from Madrid.

Grupo Torras, KIO's 100 per cent owned industrial holding company which has a 27 per cent direct stake in Prima, said the most urgent payments were being made to banks and to construction companies.

Prima held a 15-minute meeting on the plan with representatives of some 60 bank creditors on Friday.

WestLB turns in 25.5% increase

By David Waller in Frankfurt

WESTDEUTSCHE Landesbank Girozentrale (WestLB), the German regional public sector bank, yesterday unveiled group operating profits of DM584m ($399m) for the first half of the current year. This is an increase of 25.5 per cent on half the total profits for the previous year.

The figure included a first time contribution from Wfa, a housing-finance specialist in the state of North Rhine Westphalia, integrated into the group at the beginning of the year.

Stripping out the contribution from this acquisition, group profits climbed by 11.1 per cent on the comparable figure for the previous year.

The bank attributed the profits rise to a marked increase in income from trading as well as straightforward lending business.

Earnings on interest income rose by 17.5 per cent to DM1.21bn while commission income climbed by 14.4 per cent to DM172m. Partial operating profits, which do not include trading results, advanced 24.1 per cent to DM470m.

Costs rose by 16.4 per cent within the group, reflecting the increased headcount following two acquisitions last year. Assets at the end of June stood at DM252bn, 9.8 per cent up on the DM229.7bn figure at the end of last year.

● Hessische Landesbank Girozentrale (Helaba), the large German financial institution based in the state of Hesse, reported half-year operating profits down by 3.4 per cent to DM143.3m. Excluding trading profits, profits dropped by DM8.8m to DM107.6m.

The reduced profits reflect the bank's activities in eastern Germany, where from July 1 this year Helaba took over the role of regional central bank and central bank for the savings banks in the state of Thuringia.

Pinault sells timber subsidiary to Glunz

By Alice Rawsthorn in Paris

PINAULT, the French retailing and timber group, is continuing its debt reduction programme by selling Isoroy, one of its timber subsidiaries, to Glunz, the leading German timber products group.

The disposal, for an undisclosed sum, forms part of Pinault's strategy of selling its original timber businesses to refocus on its retailing interests. In addition it is raising capital to reduce the debts incurred after last year's controversial bid for Au Printemps, the French department store and mail order group.

Pinault, which made net profits of FFr503m ($102m) last year, hopes to raise between FFr4bn and FFr5bn from disposals. Its net debt stood at FFr15.5bn by the end of last year.

So far Pinault, which owns the Conforama furniture chain and La Redoute mail order catalogue, has sold several timber-related businesses, including Lafa in furniture and Sofiseb in kitchen units.

Isoroy specialises in wood-derivative panels and has 2,720 employees and 14 production plants in France. It made net profits of FFr60m on sales of FFr2.2bn last year.

The acquisition forms part of Glunz's efforts to consolidate its hold over the European wood panelling market where it is a leading player in chipboard and plywood. The German group, based at Hamm, has been restructuring its interests since the acquisition two years ago of Conti Products in the UK.

Glunz saw its pre-tax profits fall from DM40m in 1990 to DM16m ($11m) in 1991.

EC approves fibre industry merger

THE European Commission has approved plans by France's Rhône-Poulenc and Italy's Snia Fibre to merge their polyamide fibre activities in the manufacture of carpets, textiles and for technical use, Reuter reports from Brussels.

Board of Uni Storebrand approves appointments

By Karen Fossli

THE BOARD of representatives of Uni Storebrand, the beleaguered Norwegian insurer, yesterday unanimously approved the appointment of Mr Anders Echoff as new board chairman and Mr Rune Brandinger, a former Skandia Forsakrings employee, as a new member.

Mr Jan Erik Langangen, former president and chief executive at Uni, resigned last month amid sharp criticism of the company's NKr4.7bn ($814m) acquisition of Skandia Forsakrings, Sweden's biggest insurer. The board tendered its resignation at the same time.

Uni's board of representatives also approved the reinstatement of Uni's four other board members – Mr Torvild Aakvaag, Mr Finn Jebsen, Mr Jan Wibe and Mr Erik Toenseth.

Mr Echoff is a partner in the Oslo law firm Bugge, Arentz-Hansen & Rasmussen and a member of other boards, including that of Elkem, the troubled Norwegian light metals producer, Statkraft, the Norwegian utility, and Kvaerneland, a company which produces farm equipment.

He is also widely considered to be a "clean up" man – a title he disdains – because of the many reorganisations he has been instrumental in.

Mr Echoff yesterday had little to say about a strategy which he will implement to restore confidence in Uni. That confidence has decreased significantly since the company acquired its 28.6 per cent shareholding in Skandia Forsakrings.

Mr Echoff replaces Mr Thorleif Borge who will remain as president and chief executive of the Uni Foundation, the company's biggest shareholder with a 26.6 per cent stake in the company.

Freia Marabou advances slightly

By Karen Fossli

FREIA MARABOU, the Norwegian chocolate and confectionery group, yesterday reported a slight increase in half-year pre-tax profits to NKr236m ($41m) from NKr225m a year earlier.

The company pushed up profits in spite of a dip in chocolate sales. Group sales slipped to NKr2.608bn from NKr2.664bn due to exceptionally warm weather in May and June.

Operating profit in the six-month period declined to NKr225m from NKr245m in the same period last year, but operating costs were reduced to NKr2.252bn from NKr2.310bn.

The chocolate division saw operating income fall to NKr1.294bn from NKr1.371bn, although its share of the Nordic market was maintained at 32 per cent.

Chocolate exports increased, especially to Germany where they rose by 28 per cent, measured in value. Exports to the UK fell slightly, but tax-free sales advanced 20 per cent.

Freia said work began in May on a new chocolate plant in Belgium and trial production would start in the second half of 1993.

In the confectionery division, first-half operating income fell to NKr325m from NKr336m, but operating profit rose slightly to NKr17m from NKr16m.

The snacks division saw operating income reduced to NKr498m from NKr507m but operating profit increased to NKr68m from NKr57m.

Freia said it would seek permission from the Norwegian authorities to expand the company's foreign shareholding quota to beyond 33⅓ per cent.

Last April, Hershey Foods Corporation of the US increased its stake in the company to more than 35 per cent but Freia said that foreign shareholders currently comprise 37 per cent of the stock.

Freia rejected rumours that Hershey is seeking to gain full control over of the company and said that it was unaware of other suitors.

Sprüngli rejects top job rumours

By Ian Rodger in Zurich

MR RUDOLPH Sprüngli, chairman of Lindt und Sprüngli, said that neither he nor his new wife would take over the position of chief executive of the fine chocolate group.

"Giving my wife, Alexandra Sprüngli-Gantenbein, operative responsibility in the management is not being considered," Mr Sprüngli said in a statement. Speculation that he himself would become chief executive was also wide of the mark.

Mr Sprüngli, 72, was responding to speculation in the Swiss press that his new wife, who is 28 years his junior, would become chief executive as early as next month.

The former chief executive, Mr Ulrich Geissmann, resigned last week after the Sprüngli's marriage was announced.

Last May, when the couple's engagement became known, allegations were made that Mrs Gantenbein, a sometime adherent of an obscure theosophical sect, had improper influence on the appointment of Lindt & Sprüngli executives. A study by accountants KPMG found that she had influence but that decisions were made by responsible directors.

Mr Sprüngli said in his statement that she had never worked for the company, but had only been his personal adviser on personnel matters.

Lindt & Sprüngli shares remained unusually active on the Zurich Stock Exchange yesterday, but closed down only SFr100 at SFr12,900. Last Wednesday, they sank to SFr10,900 following the resignation of Mr Geissmann.

US retailers report profits growth

By Nikki Tait in New York

A CLUTCH of leading US retailers yesterday reported higher earnings for the three-months to end-July, but sales growth remained modest.

Woolworth, which takes in both the general merchandise stores and a number of specialty chains, said that net profits for the 13 weeks to July 25 reached $33m, compared with $21m for the same period of 1991. This brings first-half profits to $50m, against $79m a year earlier when Woolworth incurred a one-off charge of $113m.

However, in operating terms the improvement came solely from the specialty stores. Second-quarter operating profits here rose to $67m from $41m, while the general merchandise business saw a decline to $21m from $26m.

The picture on the revenue front was similar: specialty store revenues rose by 1.5 per cent, while general merchandise fell by 1.3 per cent. On a comparable store basis, Woolworth said that domestic revenues were up by 1.2 per cent, while overseas revenues increased by 3.2 per cent.

Woolworth is carrying out a large-scale store redeployment programme involving about 900 outlets, both general merchandise and specialty. Yesterday, Mr Harold Sells, chairman, said the plan was having positive effects, improving gross margins.

"We are confident that the upward trend established in the first half will continue for the remainder of the year," he said.

At May Department Stores, net profits in the 13 weeks to August 1 rose to $398m, after a non-recurring gain of $298m, compared with $82m a year ago. This takes first-half profits to $474m after tax, against $158m. Sales during the second quarter increased to $1.95bn from $1.85bn, and for the first half, to $3.8bn from $3.62bn. May said that on a same-store basis there were gains of 2.8 per cent and 1.9 per cent respectively.

Arkansas-based Dillard Department Stores saw second-quarter after-tax profits to August 1 advance to $36.5m from $35.7m, with sales rising to $974.9m from $873.9m. This takes net profits for the first half to $81.6m, against $73.8m, with sales advancing to $2bn from $1.76bn.

Toronto bank to buy trust group

By Robert Gibbens in Montreal

TORONTO Dominion Bank, Canada's fifth largest, will buy Central Guaranty Trust from the troubled Central Capital financial services group.

Guaranty, the country's fourth largest trust company, was formerly the centrepiece of Central Capital, the holding company of Mr Leonard Ellen, a Montreal financier.

Central Capital piled up excessive debt in a two-year acquisition spree, and was caught by the recession and the Canadian property crisis. Toronto Dominion Bank will negotiate terms for taking over Guaranty, which has C$9bn (US$7.6bn) of assets and 160 branches. It is also taking over its deposit liabilities.

The bank defeated a joint offer by National Bank of Canada, Canada Trust and Montreal Trust.

The deal has been approved by the Federal Central Deposit Insurance Corporation and federal regulators. The bank aims to increase its market share in Ontario and the Maritimes and step up its trust activities.

● SNC Group, Canada's biggest engineering and construction group, says costs will be cut further in the second half, in spite of growing international business.

SNC, which specialises in energy, petrochemicals and metallurgical plant engineering and construction management, earned C$700,000 or 5 cents a share in the first half, against C$3.7m or 33 cents a share a year earlier.

Revenues advanced to C$319m from C$219m. This increase came mainly from the takeover of Lavalin, SNC's rival, last year.

The domestic market has been slowed by the recession and delays in hydroelectric and other projects. Internationally, several big transport and energy projects were also held up.

Brazil sells its 40% stake in Nitriflex

By Bill Hinchberger in Sao Paulo

THE Brazilian government has continued the privatisation of its petrochemical sector by selling its 40 per cent share in Nitriflex, a producer of plastic resins and specialised rubber.

The sole participant in the auction was Itap, a local manufacturer of plastic packaging, which already held 60 per cent of Nitriflex. Itap paid $26.9m for the outstanding shares in Nitriflex. It took a majority interest in the company earlier this year by buying the a 30 per cent stake held by Goodyear, the US tyre company.

Procter & Gamble rises 5.6%

By Nikki Tait in New York

PROCTER & Gamble, the US consumer products company, yesterday reported a modest 5.6 per cent improvement in after-tax profits during the year to end-June.

The company made $1.87bn at the net level, compared with $1.77bn in the same period a year earlier.

The figure was scored on sales of $29.4bn, an 8.6 per cent advance on the previous year's $27bn.

However, the final quarter of the financial year showed a slightly stronger trend, with after-tax profits advancing by 11.5 per cent to $339m, and sales gaining 6.6 per cent at $7.17bn.

Mr Edwin Artzt, P&G's chairman, noted that "after a slow start" and an earnings dip in the first quarter, the profits improvement had averaged 10 per cent over the past three quarters.

He added that there had been "continued economic softness" in many markets, including the US, Canada and parts of Europe.

During the year, domestic profits rose by 7 per cent to $1.46bn after tax. P&G said volume growth was "particularly noteworthy in the paper, laundry and food and beverage businesses", while softness in pulp prices dented earnings growth.

On the international front, P&G made $625m, up by 19 per cent over the previous year. The Cincinnati-based company added that every region showed double-digit volume growth, from Europe to Asia Pacific.

The shares fell $1⅞ to $49 in early trading.

United criticises BA proposal

By Daniel Green

UNITED Airlines, the second biggest US carrier, yesterday called on the US government to block British Airways' proposed $750m investment in one of its rivals, USAir, unless concessions on operating in Europe are obtained.

In a letter to United Airlines employees, Mr Stephen Wolf, chairman of United's parent company UAL, said the US Transportation Department would make "the most monumental mistake" if it did not extract a "fair, balanced exchange of opportunities" for US carriers in Britain.

British Airways replied that United was trying to link a business deal with a bi-lateral arrangement between governments. "The proposed deal is entirely within US law."

United joins the rest of the big three US carriers, Delta and American, in criticising the deal. Last week American said the US government should not approve the investment deal unless the US secured "equal opportunities for US carriers". Delta called on the Transportation Department to take action to stop the deal "as a matter of law".

United's comments were the most outspoken yet. "British Airways is attempting to secure indirectly that which it is barred by law from securing directly: effective control of a major US air carrier," Mr Wolf said. US law limits foreign ownership of airlines to 25 per cent voting stake and 49 per cent overall.

The UK is not "making the slightest crack in its protectionist policies," he said. "Those policies prevent us, among other things from operating non-stop from our largest hub to London."

He said that the BA-USAir deal, while not giving majority control to BA meant that it could veto USAir's decisions.

Court rules on asbestos claims

By Karen Zagor in New York

A BALTIMORE circuit court jury yesterday decided that three former asbestos-manufacturers, GAF, Keene Corp and Pittsburgh Corning would have to pay up to 2½ times their share of compensatory damages to three sample plaintiffs as the largest asbestos personal injury trial in the US draws to a close.

The three companies, and the Porter Hayden Company, had already been found negligent either in making or installing asbestos-containing products at a time when the companies knew, or should have known, that the products were dangerous.

In July, the jury ruled that these companies, and two others, must pay $11.2m in compensatory damages to three sample plaintiffs.

No damages were awarded to three other plaintiffs, whose injuries were deemed to be unrelated to their asbestos exposure.

Although the latest decision applies to only three plaintiffs, the formula will be used in a series of mini-trials for the remaining 8,549 plaintiffs in Maryland whose cases are scheduled to be heard in the autumn. In addition, the ruling is likely to have implications for the remaining 86,000 asbestos injury cases pending in the US.

Yesterday, the jury decided that GAF should pay punitive damages of 2½ times its share of compensatory damages. Keene Corp and Pittsburgh Corning, a joint venture between PPG Industries and Corning, must pay 1½ times their share of compensatory damages.

The jury became deadlocked over a formula for the fourth company, Porter-Hayden. Two other companies, AC&S and MCIC, were excluded from punitive damages.

The exact share of compensatory damages for each company has not yet been decided.

In addition, attorneys for the companies have said they would challenge the jury's verdicts on the grounds that it was wrong to consolidate the cases.

Chile poised to privatise railway

By Leslie Crawford in Santiago

CHILE'S loss-making state railway, one of the few companies that remains in public ownership, is to be privatised. The sale of Empresa de Ferrocarriles del Estado (Efe) was given parliamentary approval last week.

Its cargo and passenger services will be put to public tender, while the government will continue to own the network of stations and railway tracks.

Parliament also authorised the railway company to issue up to $75m-worth of government-guaranteed bonds to clear part of its $100m debt. Another $75m bond issue will be earmarked to upgrade tracks and rolling stock.

The government hopes an injection of private capital will help modernise services after decades of neglect.

Most of Chile's 10,000 km of track has fallen into disuse. Passenger services to the north of Santiago and between Chile and Argentina no longer exist. In addition, the railways have lost most of their cargo business to road transport.

Only the railway, water companies, the state lottery and Codelco, the Chilean Copper Corporation, remain in state hands following the 1973-90 military government's sweeping programme of privatisations.

However, business leaders and conservative opposition parties are urging President Patricio Aylwin's centre-left government to privatise Codelco, the world's biggest copper producer.

Bombay mix for US investors

Patrick Harverson on the planned launch of an India country fund

AN India country fund is to be launched later this year, following the announcement of a joint venture between a leading US money manager and India's biggest mutual fund group.

The partners are the US investment firm Alliance Capital, which has $62bn of mutual fund assets, and Unit Trust of India, the government-owned mutual fund group which, with $10bn in assets and 21m unit holder accounts, dominates the Indian money management business.

The result of their partnership is the Bombay-based investment management company Unit Trust Alliance Asset Management (UTAAM), the first joint venture of its kind in India.

The partnership has two purposes: to provide Indian investors with Alliance's know-how learnt in more developed investment markets, and to sell Indian securities to overseas investors through new country funds. These country funds will compete alongside two existing UTI-managed vehicles, the India Fund, listed in London and the India Growth Fund in New York.

UTAAM hopes for fresh demand for Indian securities around the world by concentrating on privatisation issues.

It is a policy that has worked well in Mexico, Argentina and other countries where governments have been selling off state-owned assets. Alliance believes investors will be drawn by the growth potential and attractive pricing of privatised issues.

In the past year, the Indian government has sold $1bn of equity in public enterprises, and another $1bn of nationalised holdings is due to be sold off in the coming year.

The first UTAAM fund is to be launched later this year in New York, Boston, Tokyo, Hong Kong, London, Paris and Zurich. However, the volatile performance of the New York-listed India Growth Fund, which stands at a discount to net asset value after falling sharply in the wake of the Bombay stock market scandal, is a bad advert for potential investors in the new fund.

Although emerging market country funds are notoriously volatile, and because of their ups and downs have lost some of their attractiveness, they remain a draw for sophisticated investors with an appetite for risk.

As Mr Thomas Herzfeld, a leading US authority on closed-end funds, says: "The time to buy country funds is when they are at a discount. It's a game for contrarian investors."

It is a point echoed by Mr Dave Williams, chairman of Alliance, who does not think the volatility, and occasional scandals, of emerging markets will greatly deter potential customers of UTAAM. He says: "Investors in emerging markets come to expect the unexpected. It goes with the territory."

In the US, UTAAM is not entering a particularly crowded market.

US investors interested in India have only a few vehicles to choose from. Apart from the India Growth Fund, there are a handful of regional funds.

About 5 per cent of the Scudder Group's New Asia fund is in India, much the same as the Indian market's share of the Asia Pacific fund run by Prudential.

The latter offers access to Hong Kong, Malaysian, Thailand, Singapore and Korean equities, and with three new China funds launched just last month, and Philippine, Taiwan and Malaysian country funds also quoted in New York, there is more choice for investors interested in the emerging markets of the Asian and Pacific Rim regions.

Philips Electronics N.V.

Philips Group

Half-Yearly Statement to 30th June 1992

REPORT ON THE PERFORMANCE OF THE PHILIPS GROUP

Sales and income fell as a result of the difficult situation in the consumer electronics market, despite a satisfactory performance in our other businesses. This difficult situation affected not only the Consumer Electronics division but also our picture-tube business and a number of unconsolidated companies in the same sector.

In the first six months of 1992, sales amounted to f 25,837 million, 1% less than in the corresponding period of 1991. The decrease in sales was due to the effect of changes in consolidations and exchange rate movements; on a comparable basis sales rose by 2%. Sales were adversely affected by a 3% fall in selling prices.

Income from operations decreased slightly from f 1,307 million (5.0% of sales) to f 1,274 million (4.9% of sales). Financing charges fell from f 796 million last year to f 700 million. Unconsolidated companies posted a loss of f 55 million compared with a profit of f 60 million last year. Net income from normal business operations amounted to f 258 million compared with f 322 million last year. In 1991 there was also an extraordinary item of f 365 million arising from the sale of our remaining interest in Whirlpool International B V.

Trend per product sector

In the first six months of 1992, sales in the *Lighting* sector grew by 6% on a comparable basis. As a result of increased sales, particularly of innovative products with higher margins, and the favorable effects of measures taken to improve efficiency, operating income rose from f 261 million to f 429 million.

Polygram and domestic appliances and personal care products achieved higher sales, causing sales in the *Consumer Products* sector to rise by 3% on a comparable basis. Consumer Electronics was unable to contribute to this increase as selling prices fell by an average of 6%. Due to the course of business at Consumer Electronics, operating income in the Consumer Products sector fell from f 470 million to f 118 million in 1992.

In the first six months of 1992, sales growth in the *Professional Products and Systems* sector amounted to 4% on a comparable basis.

Operating income improved from f 227 million last year to f 266 million in 1992. The increase was primarily attributable to medical systems and industrial electronics.

In the first six months of 1992, sales in the *Components and Semiconductors* sector were 9% lower on a comparable basis than in the corresponding period of last year as a result of pressure on prices and the continuation of reduced manufacturing output in the TV industry in Europe and Brazil. Operating income in this sector fell slightly from f 232 million to f 207 million. The reduction in income from picture tubes was largely offset by improved earnings from semiconductors.

Sales in the *Miscellaneous* sector rose by 8% on a comparable basis. Income from operations increased from f 73 million to f 108 million. Income not attributable to a specific product sector amounted to f 157 million compared with f 44 million last year.

Unconsolidated companies

The f 115 million drop in income from unconsolidated companies was mainly due to the business performance of Grundig and MEC.

Balance sheet ratios

At the end of June 1992, inventories totaled 20.8% of sales compared with 23.1% at the end of June 1991.

The amount of trade receivables outstanding in terms of months' sales rose from 1.8 to 1.9 at the end of the reporting period.

Total provisions and liabilities as a percentage of capital employed remained at 73.8%.

Personnel

Discounting the effect of changes in consolidations, the number of employees has fallen by 1,300 since January 1, 1992. The decrease occurred particularly in the Lighting and Consumer Products sectors.

Outlook

If the economic trends fail to improve and the problems in the consumer electronics industry persist, it is unlikely that sales and net income from normal business operations will reach the level achieved in 1991.

STATEMENTS OF INCOME

Amounts in millions of guilders	2nd quarter 1992	2nd quarter 1991*	Jan to June 1992	Jan to June 1991*
Net sales	12,872	13,684	25,837	26,197
Income from operations	589	652	1,274	1,307
Gearing adjustment	26	27	35	20
Financial income and expenses	−377	−408	−709	−796
Income before taxes	238	271	610	531
Income taxes	−84	−96	−214	−174
Income after taxes	154	175	396	357
Net income of unconsolidated companies	−34	55	−55	60
Share of other group capital in group income	−38	−43	−86	−95
Net income from normal business operations	82	187	258	322
Extraordinary income after taxes	-	365	-	365
Net income	82	552	258	687
Income from operations as a % of net sales	4.6	4.8	4.9	5.0
Income before taxes as a % of net sales	1.8	2.0	2.4	2.0
Income after taxes as a % of net sales	1.2	1.3	1.5	1.4
Net income from normal business operations per common share, par value f 10 (in guilders)	0.26	0.62	0.83	1.08
Net income per common share, par value f 10 (in guilders)	0.26	1.85	0.83	2.31

At end of June	1992	1991
Inventories (as a % of net sales in the last 12 months)	20.8	23.1
Outstanding trade receivables in months' sales	1.9	1.8
Total liabilities and provisions as a % of capital employed	73.8	73.8

EMPLOYEES

	1992	1991
Number of employees (comparable figure on 1.1.1992: 240,000)	238,700	260,200

*Restated in connection with the consolidation of Super Club

PRODUCT SECTORS

SALES — January to June

Amounts in millions of guilders	1992 sales	1992 % growth nominal	1992 % growth comparable*	1991** sales	1991** % growth nominal	1991** % growth comparable*
Lighting	3,768	6	6	3,548	0	1
Consumer Products	12,592	7	3	11,753	1	−5
Professional Products and Systems	4,836	−16	4	5,733	−5	6
Components and Semiconductors	3,401	−16	−9	4,044	−1	0
Miscellaneous	1,240	12	8	1,119	−7	−6
Total	25,837	−1	2	26,197	−1	−1

*Adjusted to take account of the effect of exchange rate movements and changes in consolidations

INCOME — January to June

	1992 deliveries	1992 income from operations	1992 as a % of deliveries	1991** deliveries	1991** income from operations	1991** as a % of deliveries
Lighting	3,824	429	11.2	3,583	261	7.3
Consumer Products	12,785	118	0.9	12,196	470	3.9
Professional Products and Systems	4,922	266	5.2	5,850	227	3.9
Components and Semiconductors	4,549	207	4.6	5,260	232	4.4
Miscellaneous	2,403	108	4.5	1,616	73	4.5
Not attributable to a specific product sector		157			44	
Total	28,483	1,274		28,505	1,307	
Inter-company deliveries	−2,646			−2,308		
Net sales	25,837			26,197		
Income from operations as a % of net sales		4.9			5.0	

**1991 figures adjusted in line with slight changes made to the classification of activities

BALANCE SHEETS

Amounts in millions of guilders	June 30 1992	December 31 1991
Fixed assets		
Intangible fixed assets	1,224	1,205
Tangible fixed assets	15,828	16,382
Unconsolidated companies	3,554	3,220
Other non-current financial assets	2,058	2,149
	22,664	22,956
Current assets		
Inventories	11,771	10,410
Accounts receivable	14,818	14,515
Marketable securities	67	52
Liquid assets	1,059	1,882
	27,715	26,859
Total assets	50,579	49,815
Group equity		
Stockholders' equity	11,568	11,535
Other group capital	1,666	1,688
	13,234	13,223
Provisions		
Long-term	5,697	5,632
Short-term	2,478	2,791
	8,175	8,423
Liabilities		
Long-term	11,589	11,293
Current, interest-bearing	5,984	5,311
Other current liabilities including deferred income and accrued expenses	11,597	11,565
	29,170	28,169
Total capital employed	50,579	49,815

Philips Electronics N V
BOARD OF MANAGEMENT

August 6, 1992

PHILIPS

PHILIPS

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant separate licences under the Telecommunications Act 1984 ("the Act") to Ionica L3 Ltd ("Ionica"), Millicom Holdings (UK) Ltd ("Millicom") and National Network Ltd ("National Network"), ("the Licensees") to run telecommunications systems throughout the United Kingdom. The licences will each be for a period of 25 years subject to earlier revocation in specified circumstances.

2. The principal effect of the licences will be to enable the Licensees to install and run telecommunication systems throughout the United Kindom. All three Licensees will be able to provide a full range of services, except for cable television services, mobile radio services, and certain international services. The licences authorise connection to a wide range of other systems. National Network's licence, in addition to connections authorised to the other licences, authorises connection to earth orbiting apparatus, allowing it to provide some types of international satellite service. On securing a share of 25% or more of the market in respect of particular services in an area specified by the Director General of Telecommunications, each of the Licensees will be obliged to make available those telecommunication services to all who reasonably request them within that area. The Licences for Ionica and Millicom each contain an obligation to make services available to a specified proportion of the United Kingdom population by a specified date.

3. All the licences will be subject to conditions such that section 8 of the Act will apply to them, thereby making the systems run under each licence eligible for designation as public telecommunication systems under Section 9 of the Act and the proposed licensees eligible to have the telecommunications code contained in Schedule 2 to the Act applied to them under section 10 of the Act. It is the intention of the Secretary of State to designate the system of each Licensee as a public telecommunications system.

4. The Secretary of State proposes to grant the licences in response to an application from each Licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.

5. He proposes to apply the telecommunications code ("the Code") to the Licensees subject to certain exceptions and conditions. The effect of these exceptions and conditions is that the Licensees will have duties:

(a) to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground;

(b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensees, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus;

(c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities, the Nature Conservancy Council and the National Trust, as well as relevant public electricity suppliers;

(d) to keep and make available records of the location of its underground apparatus and copies of the exceptions and conditions in the licence to its powers under the Code; and

(e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.

6. The reason why the Secretary of State proposes to apply the Code to the Licensees is that the Licensees will need the statutory powers in the code to install and maintain the telecommunication systems which are to be installed and run under the proposed Licences.

7. The reason why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the system is installed as safely and economically as possible, and that the Licensees can meet (and relevant persons can enforce) liabilities arising from the execution of works.

8. Representations or objections may be made in respect of the proposed licences, the application of the Code to the Licensees and the proposed exceptions and conditions referred to above. They should be made in writing by 11 October 1992 and addressed to the undersigned at the Department of Trade and Industry, Telecommunications and Posts Division, Room 2/156, 151 Buckingham Palace Road, London, SW1W 9SS. Copies of the proposed licences can freely be obtained by writing to the Department or by calling 071-215 1756.

P J Kirby
Department of Trade and Industry

BanCal Tri-State Corporation
(Incorporated in the State of Delaware, United States of America)
US$ 50,000,000 Dual Basis Bonds due 2000
US$ 65,000,000 8 7/8% Notes due 1993

Notice is hereby given that, in accordance with the Terms and Conditions, BanCal Tri-State Corporation ("Tri-State") will exercise its right to redeem the Tri-State US$50,000,000 Dual Basis Bonds due 2000 on September 11, 1992 at the price of 100.00%.

The Bonds should be surrendered for payment together with all unmatured coupons appertaining thereto, at the offices of Banque Générale du Luxembourg (Luxembourg) and Morgan Guaranty Trust Company of New York (London). Interest on the Bonds will cease to accrue as from September 11, 1992.

Furthermore, notice is hereby given that for both the US$50,000,000 Dual Basis Bonds due 2000 and the US$65,000,000 8 7/8% Notes due 1993, the process agent has been changed and now is Legibus Secretaries Limited, Royex House, Aldermanbury Square, London EC2V 7LD.

Banque Générale du Luxembourg S.A.
Fiscal Agent

Notice of Redemption to the Holders of
UNIBANK A/S (FORMER SPAREKASSEN SDS)
YEN 3,400,000,000
6% NIKKEI-LINKED NOTES DUE 1993

Notice is hereby given that, pursuant to Clause 6(G) of the Terms and Conditions of the Notes, Unibank A/S will redeem on September 11, 1992 all of the outstanding Notes at their Redemption Amount. Interest on the Notes will cease to accrue on and after the Redemption Date.

Fiscal Agent

BIL BANQUE INTERNATIONALE A LUXEMBOURG

Strong sales help Chugai to beat forecast

By Emiko Terazono in Tokyo

CHUGAI Pharmaceutical, a leading Japanese drug company, yesterday reported a sharp rise in interim profits for the first six months to June, thanks to strong sales of its blood and body-fluid agents.

Chugai's non-consolidated pre-tax profits rose 50 per cent to Y3.8bn ($45.5m), some Y2bn higher than it forecast. Operating profits soared 97.7 per cent to Y6.7bn, on a 7.1 per cent rise in overall sales to Y68.8bn. Net profits rose 6.1 per cent to Y2bn.

Sales of Chugai's blood and body-fluid agents, including Epogin, a renal anaemia remedy, surged 77.7 per cent to Y15.8bn. However, sales of metabolic agents fell 9.6 per cent to Y12.1bn.

The company reported extraordinary losses of Y1.3bn related to the liquidation of Chugai-Upjohn, a Chicago-based joint venture with Upjohn, the US pharmaceutical group.

For the year to December, Chugai expects a 32.3 per cent rise in pre-tax profits to Y14bn, a Y2bn increase from its previous estimates, on a 8.8 per cent increase in sales to Y145bn. Net profits are expected to rise 33.2 per cent to Y5.5bn, Y500m higher than initial projections.

● Showa Denko, a leading Japanese chemicals manufacturer, suffered a 76.7 per cent fall in first-half pre-tax profits as weakening sales compounded the burden of settling US lawsuits related to a dietary supplement, writes Gordon Cramb in Tokyo.

Showa Denko wrote off Y19.9bn in the six months to June, of which Y12.3bn went to patients in the US who had alleged that its L-Tryptophan nutritional compound caused blood disorders and muscle pains. The remainder was absorbed by legal fees and in providing for a research fund.

On sales 15.6 per cent down at Y259.9bn, taxable profits in the six months to June were Y2.84bn. Net earnings were 43.9 per cent lower at Y1.09bn.

Fujitsu now faces up to harsh economic realities

Japan's recession has weakened demand in the computer sector, write Robert Thomson and Alan Cane

JAPAN'S full-line computer manufacturers – which make every size of computer from notebooks to mainframes – are discovering they are no longer immune to the harsh commercial realities which have hit their western competitors over the past two years.

Fujitsu, second only to International Business Machines (IBM) of the US among global information technology (IT) companies, is warning it will incur pre-tax losses of about Y10bn ($78.7m) in the first half to September. It will not be the only Japanese electronics company to downgrade its forecasts, as their domestic market continues in the doldrums.

IBM, the world's largest computer manufacturer, made pre-tax losses last year of $2.8bn, chiefly as a result of stagnant mainframe sales and heavy restructuring charges. It will have shed up to 80,000 people by the end of this year.

A Japanese computer specialist, asked to describe the difference between the plight of IBM and Fujitsu, said: "They both have the same serious problems, but Fujitsu is in a worse position because Japanese companies cannot sack their workers."

Fujitsu broke with that tradition last week by sacking 260 workers at one of its two US semiconductor plants. It has yet to trim its domestic workforce, however, and has only just begun to prune loss-making products.

In common with other Japanese manufacturers, Fujitsu had not made cuts in the hope that domestic economic recovery would come this summer. It is now clear, however, that Japan's economy will remain stagnant at least until early next year.

This will have serious consequences for the full-line computer companies. Western manufacturers have been suffering for two years from a combination of stagnant demand, rapidly rising research and development costs and fierce price competition.

They have also been hit by moves among customers to standard or "open" systems which have contributed to declining prices.

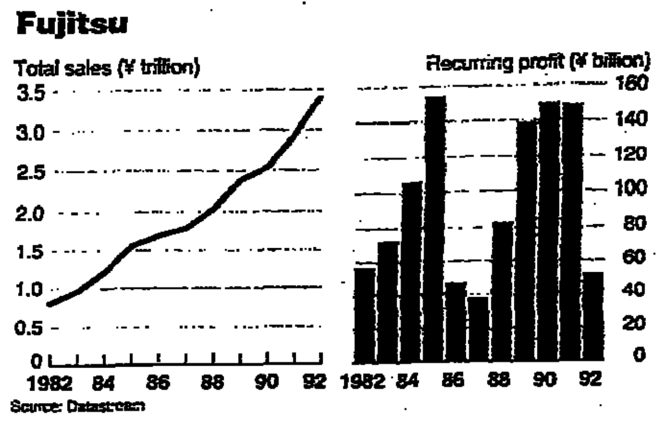
Japanese manufacturers have been comparatively immune to these factors because of buoyant domestic demand for mainframe computers, especially from the banks. Open systems, moreover, have yet to have much influence on the Japanese market.

The Japanese recession, however, has damped demand significantly. Studies such as a recent report from the Japanese economic planning agency indicate that the financial sector intends to reduce capital spending by about 28 per cent in the second half of 1992, after a 7 per cent reduction in the first half.

Full-line companies make most of their profits from mainframe sales where the gross profit margin can be more than 60 per cent. Fujitsu may suffer more than the other Japanese full-line makers because, as the spearhead of Japan's challenge to the west in computers, it makes only computers, semiconductors and telecommunications products.

On the other hand Hitachi, another Japanese full-line producer, also manufactures heavy electrical equipment, and will benefit from Japan's supplementary budget this year which is likely to fund new power plants and roads.

Fujitsu said the heady days of the late 1980s blurred its perspective on longer-term demand. Japanese personal computer output rose 69 per cent in 1989, while that of all industrial electronic equipment rose 21 per cent in 1988, partly in response to increasing demand from securities companies and banks,



Source: Datastream

which expanded rapidly during the easy-money era.

Fujitsu's profits rose as dramatically as the Nikkei stock market average during those years. Parent pre-tax profit rose from Y22.6bn in the year to end-March 1987 to Y80.4bn in 1989, Y106.4bn in 1989 and Y127bn for the period to March 1990.

Securities houses are now cutting their investments in computers and, in some cases, cancelling contracts, while Japan's manufacturing industry is expected to reduce capital spending by about 2.8 per cent in the second half of this year.

"If you look at business on a short-term basis, there is overcapacity now. Maybe the timing of our expansion in the late 1980s was not very good. However, our markets are still growing in the longer-term," Fujitsu said. The company is predicting overall pre-tax profits of about Y40bn this year.

A side-effect of the increased spending on plant was a heavy depreciation burden. Consolidated depreciation charges rose by 17 per cent last year. The company is hoping to slow that growth by cutting plant expenditure by 30 per cent this year.

It is attempting to cut costs in other areas. It has decided to withdraw from the US fax market, merged two of its software subsidiaries, and is to reduce its graduate intake next year to 1,250, about 100 fewer than this year. Fujitsu also said it is attempting to "shift the emphasis from hardware to software" to improve profitability.

But it is resisting pressure to lay off workers in Japan: "We don't have any plan to cut workers here. We have cut the pay of executives and limited managers' pay rises. These are difficult decisions," it said.

It will not withdraw from the loss-making memory chip business, though it said "we have to be more selective about memory chips", which account for about 30 per cent of its total chip production. Last month, Fujitsu committed itself to a joint venture to develop flash memory chips with Advanced Micro Devices of the US.

Fujitsu's global family of IT companies, including ICL of the UK in which it holds an 80 per cent stake, seem unlikely to be affected by its financial difficulties. ICL made pre-tax profits last year and expects to repeat the performance in 1992. There are no plans to interrupt the timetable for flotation agreed two years ago when Fujitsu took its stake in the company. Up to 49 per cent of ICL will be floated in London by 1995 at a minimum price of 225p a share.

Coca-Cola Amatil rises 19% in first six months

By Bruce Jacques in Sydney

SUCCESSFUL international diversification has helped Coca-Cola Amatil, Australia's biggest soft drink and snack food company, overcome recessed domestic conditions and record a solid earnings rise in the first half to June.

The company yesterday announced a 19 per cent advance in net profits to A$25.1m (US$18.5m) from A$21.1m a year earlier, on a 15 per cent rise in sales to A$968.2m from A$841.7m. The interim dividend is being raised to 8.5 cents a share from 7.5 cents.

A breakdown of pre-tax profits showed that profits from Australia fell to A$59.3m from A$64.3m, on virtually static sales of A$640.5m.

However, combined earnings of the company's Asian and European divisions jumped to A$26.2m from A$16.4m on a 63 per cent jump in sales from A$200.1m to A$324.8m.

The bulk of earnings again came from the company's beverage division, which lifted pre-tax profits to A$70.6m from A$68.5m, while the snack food division's profits rose to A$15.7m from A$12.3m.

The directors said soft drinks in Austria, Hungary and Czechoslovakia continued to achieve growth in sales and profits, but European snack food businesses were affected by intense competition.

● West Australian Newspaper Holdings, the newly floated Perth media group, is on the way to exceeding its prospectus forecasts for the current year to June, after a solid maiden earnings report yesterday.

The group unveiled net profits of A$14.1m for the six months to June 30, it's first period as a public company. Sales totalled A$101.4m and a 4 cents a share final dividend has been declared.

Mr Trevor Eastwood, chairman, said yesterday that transactions during the period under review lifted the group's estimated tax losses to about A$320m from A$79.9m, subject to tax office approval.

Genting pre-tax income 5% ahead at halfway

By Kieran Cooke in Kuala Lumpur

GENTING, the Malaysian gaming, plantations and property group which took a 3 per cent stake in Lonrho last month, has reported a 5 per cent rise in first-half pre-tax profits to M$326.39m ($130m). Group turnover rose by 40 per cent to M$779.95m.

Genting, which is considered to be one of the more cash-rich groups quoted on the Kuala Lumpur Stock Exchange, increased group investment and interest income by 22 per cent in the six months to M$44.10m.

Genting is one of the largest groups in Malaysia, accounting for 6.4 per cent of the total KLSE market capitalisation.

● Resorts World, a Genting subsidiary, lifted first-half net profit 13 per cent, to M$180.51m from M$160.34m on turnover of M$614m against M$487m.

Pre-tax profits improved to M$226.94m from M$223.58m. Earnings per share for the half-year were 16.7 cents against 14.8 cents in the corresponding period last year.

The directors have increased the interim dividend to 6.5 cents a share from 6 cents a share.

The company said its performance for the second half of the year is expected to be satisfactory.

Downturn may force Seibu reorganisation

By Emiko Terazono

SEIBU Department Stores, the privately-held Japanese retailer, is considering reorganising its operations. This highlights the severe problems facing Japanese retailers, as the economic downturn affects consumer spending.

Seibu, core operation of the Saison group, which includes Seiyu, the supermarket chain, has debts of Y320bn ($2.5bn). It is considering postponing store openings and reorganising affiliates.

Mr Seiji Tsutsumi, meanwhile, head of Saison, is to step down as a Seibu executive this autumn.

Highlands Gold boosts net annual profit by 78%

By Bruce Jacques

HIGHLANDS Gold, the Papua New Guinea gold miner controlled by the leading Australian metals group MIM Holdings, raised profits by almost 78 per cent in the year to June, despite a large exploration write-off.

The company lifted net earnings to K51.9m ($54.2m) from K29.08 on almost doubled revenue of K161.9m compared with K85.5m.

The company will pay a final dividend of 3.5 toea a share, making 5.5 toea for the year.

Mr Norman Fussel, chairman, said the group's 30 per cent interest in the Porgera mine generated pre-tax earnings of K67.0m.

The group's share of Porgera's gold sales was 437,300 oz and the net realised gold sales price averaged K367oz.

The result followed an exploration write-off of K9m. Tax took K29.4m against K20.8m and depreciation K24.8m compared with K18.3m.

● Bougainville Copper the company that operated the Panguna copper mine in Papua New Guinea until the mine was forced to close by separatist rebels in May 1989, has reported net losses of K1.4m for the first half to June.

Bougainville Copper is 53.6 per cent owned by CRA, the Australian resources group.

St George Bank launches A$102m issue

By Bruce Jacques

ST GEORGE Bank, formerly Australia's biggest building society, has launched a A$102m one-for-five share issue at A$4.60 a share. The issue comes only five weeks after St George converted to a bank and listed on the country's stock exchanges.

It announced a 6 per cent rise in earnings to A$48.3m (US$35.7m) for the year to May. A final dividend of 18 cents a share has been declared, making an unchanged 35 cents for the year.

Non-performing loans stood at A$60m and loans under management at A$112m.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 11.08.92: Pool purchase price £/MWh	Final Prices for Trading on 14.07.92: Pool purchase price £/MWh	Final Prices for Trading on 14.07.92: Pool selling price £/MWh
0030	18 00	18.30	18 30
0100	17 71	17 94	17 94
0130	17 71	17 79	17.79
0200	17 71	17 79	17 79
0230	17 71	17 79	17 79
0300	17 71	17 79	17 79
0330	17 71	17 79	17 79
0400	17 71	17 79	17 79
0430	17 71	17 79	17 79
0500	17 71	17 79	17 79
0530	17 71	17 75	17 75
0600	17 71	17 75	17 75
0630	17 71	17 70	17 70
0700	20 02	21 83	23 43
0730	20 72	26 11	27 86
0800	24 65	26 14	27 83
0830	24 95	28 16	29 87
0900	26 50	28 46	30 23
0930	28 05	32 57	34 49
1000	28 07	32 79	34 72
1030	28 08	32 81	34 73
1100	27 20	29 02	30 83
1130	28 16	29 09	30 92
1200	28 18	29 15	30 99
1230	28 16	28 97	30 76
1300	28 10	28 65	30 38
1330	27 13	28 30	29 95
1400	27 11	28 17	29 81
1430	25 98	28 10	29 72
1500	25 98	28 11	29 74
1530	25 98	28 14	29 77
1600	25 96	28 31	29 99
1630	25 15	28 66	30 42
1700	24 98	32 81	34 47
1730	25 15	32 42	34 24
1800	25 15	28 24	29 90
1830	24 65	26 33	27 90
1900	24 20	26 11	27 69
1930	24 20	26 11	27 72
2000	21 00	24 42	26 00
2030	21 00	24 42	26 01
2100	25 62	27 94	29 63
2130	28 39	28 90	30 53
2200	28 39	37 00	38 80
2230	25 62	37 00	38 78
2300	27 53	29 90	30 54
2330	21 65	23 65	25 25
2400	20 02	21 60	23 14

Prices are determined for every half-hour in each twenty four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.96/MWh becomes 1.696p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the [illegible]

NGC Settlements Limited 1992

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, August 10, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	51.5049	35.1016	40.2228
Albania	(Lek)	211.69	109.855	74.8682	85.7912
Algeria	(Dinar)	39.78	20.6434	14.0689	16.1215
Andorra	(Fr Fr)	9.5675	4.9649	3.3837	3.8774
	(Sp Peseta)	180.40	93.617	63.8019	73.1104
Angola	(Kwanza)	1063.16	551.718	376.007	430.865
Antigua	(E Carr $)	5.1961	2.6964	1.8377	2.1058
Argentina	(Peso)	1.9060	0.9891	0.674	0.7724
Aruba	(Florin)	3.448	1.7893	1.2194	1.3973
Australia	(Aus $)	2.6065	1.3526	0.9218	1.0563
Austria	(Schilling)	19.905	10.3295	7.0397	8.0668
Azores	(Port Escudo)	241.55	125.35	85.4288	97.8926
Bahamas	(Bahama $)	1.9270	1	0.6815	0.7809
Bahrain	(Dinar)	0.7246	0.376	0.2562	0.2936
Balearic Is	(Sp Peseta)	180.40	93.617	63.8019	73.1104
Bangladesh	(Taka)	75.4078	39.1322	26.6694	30.5604
Barbados	(Barb $)	3.8707	2.0086	1.3689	1.5686
Belgium	(Belg Fr)	58.20	30.2023	20.5835	23.5866
Belize	(B $)	3.8490	1.9974	1.3612	1.5598
Benin	(CFA Fr)	478.375	248.249	169.187	193.87
Bermuda	(Bermudian $)	1.9270	1	0.6815	0.7809
Bhutan	(Ngultrum)	54.50	28.2823	19.2749	22.0871
Bolivia	(Boliviano)	7.5537	3.9199	2.6715	3.0612
Botswana	(Pula)	3.9847	2.0678	1.4092	1.6148
Brazil	(Cruzeiro)	8246.70	4279.55	2916.6	3342.13
Brunei	(Brunei $)	3.0970	1.6071	1.0953	1.2551
Bulgaria	(Lev)	40.00	20.7576	14.1467	16.2107
Burkina Faso	(CFA Fr)	478.375	248.249	169.187	193.87
Burma	(Kyat)	11.2275	5.8264	3.9708	4.5501
Burundi	(Burundi Fr)	395.50	205.241	139.876	160.284
Cambodia	(Riel)	1635.8	848.884	578.532	662.938
Cameroon	(CFA Fr)	478.375	248.249	169.187	193.87
Canada	(Canadian $)	2.2870	1.1868	0.8088	0.9268
Canary Is	(Sp Peseta)	180.40	93.617	63.8019	73.1104
Cp Verde	(CV Escudo)	121.44	63.0202	42.9496	49.2158
Cayman Is	(CI $)	1.6358	0.8488	0.5785	0.6629
Cent Afr Rep	(CFA Fr)	478.375	248.249	169.187	193.87
Chad	(CFA Fr)	478.375	248.249	169.187	193.87
Chile	(Chilean Peso)	708.10	367.462	250.433	286.971
China	(Renminbi Yuan)	10.5131	5.4556	3.7181	4.2606
Colombia	(Col Peso)	1198.50	621.951	423.873	485.714
CIS	(Rouble)	1.0494o	0.5445	0.3711	0.4252
		307.63m	159.642	108.799	124.673
Comoros	(CFA Fr)	478.375	248.249	169.187	193.87
Congo (Brazz)	(CFA Fr)	478.375	248.249	169.187	193.87
Costa Rica	(Colon)	257.17	133.456	90.9531	104.223
Côte d'Ivoire	(CFA Fr)	478.375	248.249	169.187	193.87
Cuba	(Cuban Peso)	1.4576	0.7564	0.5155	0.5907
Cyprus	(Cyprus £)	0.8188	0.4249	0.2895	0.3318
Czechoslovakia	(Koruna)	52.75c	27.3741	18.656	21.3779
		50.92t	26.4244	18.0088	20.6362
Denmark	(Danish Kroner)	10.8925	5.6525	3.8523	4.4143
Djibouti Rep	(Djib Fr)	337.00	174.883	119.187	136.575
Dominica	(E Carrib $)	5.1961	2.6964	1.8377	2.1058
Dominican Rep	(D Peso)	24.980	12.9631	8.8346	10.1236
Ecuador	(Sucre)	2785.55o	1445.54	985.164	1128.9
		3165.00a	1642.45	1119.36	1282.67
Egypt	(Egyptian £)	6.3850	3.3134	2.2581	2.5876
El Salvador	(Colon)	15.4160	8	5.4521	6.2476
Equat'l Guinea	(CFA Fr)	478.375	248.249	169.187	193.87
Ethiopia	(Ethiopian Birr)	3.9593	2.0546	1.4002	1.6045
Falkland Is	(Falk £)	1.00	0.5189	0.3536	0.4052
Faroe Is	(Danish Kroner)	10.8925	5.6525	3.8523	4.4143
Fiji Is	(Fiji $)	2.8425	1.475	1.0053	1.1519
Finland	(Markka)	7.7450	4.0192	2.7391	3.1388
France	(Fr)	9.5675	4.9649	3.3837	3.8774
Fr Cty/Africa	(CFA Fr)	478.375	248.249	169.187	193.87
Fr Guiana	(Local Fr)	9.5675	4.9649	3.3837	3.8774
Fr Pacific Is	(CFP Fr)	170.00	88.22	60.1237	68.8956
Gabon	(CFA Fr)	478.375	248.249	169.187	193.87
Gambia	(Dalasi)	16.878	8.7586	5.9692	6.8401
Germany	(D-Mark)	2.8275	1.4673	1	1.1458
Ghana	(Cedi)	786.75	408.277	278.249	318.845
Gibraltar	(Gib £)	1.00	0.5189	0.3536	0.4052
Greece	(Drachma)	347.10	180.125	122.759	140.669
Greenland	(Danish Krone)	10.8925	5.6525	3.8523	4.4143
Grenada	(E Carr $)	5.1961	2.6964	1.8377	2.1058
Guadaloupe	(Local Fr)	9.5675	4.9649	3.3837	3.8774
Guam	(US $)	1.9270	1	0.6815	0.7809
Guatemala	(Quetzal)	9.9325	5.1543	3.5128	4.0253
Guinea	(Fr)	1563.25	811.235	552.874	633.536
Guinea-Bissau	(Peso)	9622.5	4993.51	3403.18	3899.7
Guyana	(Guyanese $)	237.67	123.337	84.0565	96.3201
Haiti	(Goude)	9.6225	5	3.4031	3.8996
Honduras	(Lempira)	10.6430	5.523	3.7641	4.3132
Hong Kong	(HK $)	14.8750	7.7192	5.2608	6.0283
Hungary	(Forint)	149.0	77.3222	52.6967	60.385
Iceland	(Icelandic Krona)	104.75	54.3591	37.0468	42.4518
India	(Indian Rupee)	54.50	28.2823	19.2749	22.0871
Indonesia	(Rupiah)	3929.21	2039.03	1389.64	1592.39
Iran	(Rial)	2755.0v	1429.68	974.359	1116.51
		121.00o	62.7919	42.7939	49.0374
Iraq	(Iraqi Dinar)	0.5936	0.308	0.2099	0.2405
Irish Rep	(Punt)	1.0635	0.5518	0.3761	0.431
Israel	(Shekel)	4.65	2.413	1.6445	1.8844
Italy	(Lira)	2139.00	1110.02	756.499	866.869
Jamaica	(Jamaican $)	42.3390	21.9714	14.974	17.1586
Japan	(Yen)	246.75	128.049	87.2679	100
Jordan	(Jordanian Dinar)	1.2770	0.6626	0.4516	0.5175
Kenya	(Kenya Shilling)	63.2391	32.8173	22.3657	25.6288
Kiribati	(Australian $)	2.6065	1.3526	0.9218	1.0563
Korea North	(Won)	4.1377	2.1472	1.4633	1.6768
Korea South	(Won)	1520.40	788.998	537.719	616.17
Kuwait	(Kuwaiti Dinar)	0.5660	0.2937	0.2001	0.2293
Laos	(New Kip)	1376.0	714.063	486.649	557.649
Lebanon	(Lebanese £)	4610.4	2392.53	1630.56	1868.45
Lesotho	(Maloti)	5.3205	2.761	1.8816	2.1562
Liberia	(Liberian $)	1.9270	1	0.6815	0.7809
Libya	(Libyan Dinar)	0.5115	0.2654	0.1809	0.2072
Liechtenstein	(Swiss Fr)	2.5375	1.3168	0.8974	1.0283
Luxembourg	(Lux Fr)	58.20	30.2023	20.5835	23.5866
Macao	(Pataca)	15.3723	7.9773	5.4367	6.2299
Madagascar	(MG Fr)	3050.30	1582.93	1078.8	1236.19
Madeira	(Port Escudo)	241.55	125.35	85.4288	97.8926
Malawi	(Kwacha)	7.4959	3.8899	2.651	3.0378
Malaysia	(Ringgit)	4.8110	2.4966	1.7015	1.9497
Maldive Is	(Rufiya)	19.7839	10.2666	6.9969	8.0177
Mali Rep	(CFA Fr)	478.375	248.249	169.187	193.87
Malta	(Maltese £)	0.5762	0.299	0.2037	0.2335
Martinique	(Local Fr)	9.5675	4.9649	3.3837	3.8774
Mauritania	(Ouguiya)	155.67	80.7836	55.0557	63.0881
Mauritius	(Maur Rupee)	28.4630	14.7706	10.0664	11.5351
Mexico	(Mexican Peso)	5778.30	2998.6	2043.61	2341.76
Miquelon	(Local Fr)	9.5675	4.9649	3.3837	3.8774
Monaco	(French Fr)	9.5675	4.9649	3.3837	3.8774
Mongolia	(Tugrik)	76.98	39.9481	27.2254	31.1975
Montserrat	(E Carr $)	5.1961	2.6964	1.8377	2.1058
Morocco	(Dirham)	15.3915	7.9872	5.4435	6.2376
Mozambique	(Metical)	5486.25	2847.04	1940.32	2223.4
Namibia	(S A Rand)	5.3205	2.761	1.8816	2.1562
Nauru Is	(Australian $)	2.6065	1.3526	0.9218	1.0563
Nepal	(Nepalese Rupee)	89.739	46.5692	31.7379	36.3683
Netherlands	(Guilder)	3.1875	1.6541	1.1273	1.2917
N'nd Antilles	(A/Guilder)	3.4448	1.7876	1.2183	1.396
New Zealand	(NZ $)	3.5410	1.8375	1.2523	1.435
Nicaragua	(Gold Cordoba)	9.6225	4.9935	3.4031	3.8996
Niger Rep	(CFA Fr)	478.375	248.249	169.187	193.87
Nigeria	(Naira)	35.122	18.45	12.4215	14.2338
Norway	(Nor. Krone)	11.1525	5.7874	3.9442	4.5197
Oman	(Rial Omani)	0.7400	0.384	0.2617	0.2998
Pakistan	(Pak. Rupee)	48.24	25.0337	17.061	19.5501
Panama	(Balboa)	1.9270	1	0.6815	0.7809
Papua New Guinea	(Kina)	1.8495	0.9597	0.6541	0.7495
Paraguay	(Guarani)	2860.10	1484.22	1011.53	1159.11
Peru	(New Sol)	2.47	1.2817	0.8735	1.001
Philippines	(Peso)	46.00	23.8713	16.2687	18.6423
Pitcairn Is	(£ Sterling)	1.00	0.5189	0.3536	0.4052
	(NZ $)	3.5410	1.8375	1.2523	1.435
Poland	(Zloty)	26143.0	13566.7	9245.98	10594.9
Portugal	(Escudo)	241.55	125.35	85.4288	97.8926
Puerto Rico	(US $)	1.9270	1	0.6815	0.7809
Qatar	(Riyal)	6.9960	3.6305	2.4742	2.8352
Reunion Is. de la	(F/Fr)	9.5675	4.9649	3.3837	3.8774
Romania	(Leu)	710.38g	368.646	251.24	287.895
Rwanda	(Fr)	267.70	138.921	94.6772	108.49
St Christopher	(E Carr $)	5.1961	2.6964	1.8377	2.1058
St Helena	(£)	1.00	0.5189	0.3536	0.4052
St Lucia	(E Carr $)	5.1961	2.6964	1.8377	2.1058
St Pierre	(French Fr)	9.5675	4.9649	3.3837	3.8774
St Vincent	(E Carr $)	5.1961	2.6964	1.8377	2.1058
San Marino	(Italian Lira)	2139.00	1110.02	756.499	866.869
Sao Tome	(Dobra)	461.88	239.689	163.353	187.185
Saudi Arabia	(Riyal)	7.2080	3.7405	2.5492	2.9211
Senegal	(CFA Fr)	478.375	248.249	169.187	193.87
Seychelles	(Rupee)	9.35	4.8521	3.3068	3.7892
Sierra Leone	(Leone)	837.15	434.432	296.074	339.271
Singapore	($)	3.0970	1.6071	1.0953	1.2551
Solomon Is	($)	5.6490	2.9314	1.9978	2.2893
Somali Rep	(Shilling)	5042.2	2616.61	1783.27	2043.44
South Africa	(Rand)	5.3205c	2.761	1.8816	2.1562
		7.0410g	3.6538	2.4901	2.8534
Spain	(Peseta)	180.40	93.617	63.8019	73.1104
Spanish Ports in N Africa	(Sp Peseta)	180.40	93.617	63.8019	73.1104
Sri Lanka	(Rupee)	85.00	44.11	30.0618	34.4478
Sudan Rep	(Dinar)	19.245	9.987	6.8063	7.7993
Surinam	(Guilder)	3.4352	1.7826	1.2149	1.3921
Swaziland	(Lilangeni)	5.3205	2.761	1.8816	2.1562
Sweden	(Krona)	10.2700	5.3295	3.6321	4.1621
Switzerland	(Fr)	2.5375	1.3168	0.8974	1.0283
Syria	(£)	38.971	20.2236	13.7828	15.7937
Taiwan	($)	48.30	25.0648	17.0822	19.5744
Tanzania	(Shilling)	614.878	319.086	217.463	249.191
Thailand	(Baht)	48.67	25.2568	17.213	19.7244
Togo Rep	(CFA Fr)	478.375	248.249	169.187	193.87
Tonga Is	(Pa Anga)	2.6065	1.3526	0.9218	1.0563
Trinidad/Tobago	($)	8.1791	4.2444	2.8926	3.3147
Tunisia	(Dinar)	1.6085	0.8347	0.5688	0.6518
Turkey	(Lira)	13556.35	7034.95	4794.47	5493.96
Turks & Caicos	(US $)	1.9270	1	0.6815	0.7809
Tuvalu	(Australian $)	2.6065	1.3526	0.9218	1.0563
Uganda	(New Shilling)	2281.0	1183.71	806.72	924.417
U A E	(Dirham)	7.0590	3.6632	2.4965	2.8607
United Kingdom	(£)	1.00	0.5189	0.3536	0.4052
United States	(US $)	1.9270	1	0.6815	0.7809
Uruguay	(Peso)	6009.25	3118.45	2125.29	2435.36
Vanuatu	(Vatu)	211.70	109.86	74.8717	85.7953
Vatican	(Lira)	2139.00	1110.02	756.499	866.869
Venezuela	(Bolivar)	130.327	67.632	46.0926	52.8174
Vietnam	(Dong)	21265.75	11035.7	7521.04	8618.34
Virgin Is-British	(US $)	1.9270	1	0.6815	0.7809
Virgin Is-US	(US $)	1.9270	1	0.6815	0.7809
Western Samoa	(Tala)	4.7196	2.4491	1.6691	1.9127
Yemen (Rep of)	(Rial)	30.888	16.029	10.9241	12.5179
Yemen (Rep of)	(Dinar)	0.8949	0.4644	0.3164	0.3626
Yugoslavia	(Dinar)	384.70	199.637	136.057	155.907
Zaire Rep	(Zaire)	1266521.0	657250	447930	513281
Zambia	(Kwacha)	331.014	171.777	117.069	134.15
Zimbabwe	($)	9.4685	4.9135	3.3487	3.8372

Special Drawing Rights August 7, 1992 United Kingdom £0.753174 United States $1.44293 Germany D Mark 2.13265 Japan Yen184.363
European Currency Unit Rates August 10, 1992 United Kingdom £0.720566 United States $1.38759 Germany D Mark 2.03851 Japan Yen177.432

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Official rate; (o) preferential rate; (p) Public transaction rate; (s) Selling rate; (t) Tourist rate; (u) Currencies fixed against the US Dollar; (v) Floating rate; (z) parallel rate.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday, August 10, 1992

URBAN DEVELOPMENT

The FT proposes to publish this survey on September 18 1992. The FT reaches more business men with property responsibility in the UK than any other daily newspaper and more senior European decision-makers on business premises sites reading English-language newspapers. For a full editorial synopsis and details of available advertisement positions, please contact:

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FT SURVEYS

Coca-Cola Amatil rises 19% in first six months

By Bruce Jacques in Sydney

SUCCESSFUL international diversification has helped Coca-Cola Amatil, Australia's biggest soft drink and food company...

Treasuries gain in cautious trading

By Patrick Harverson in New York and Sara Webb in London

GOVERNMENT BONDS

US Treasuries followed through from Friday's gains with further advances yesterday, although trading was cautious ahead of this week's injection of new supply.

In late trading the benchmark 30-year government issue was up $\frac{7}{32}$ at $107\frac{11}{32}$, to yield 7.358 per cent. The two-year note was also firmer, up $\frac{1}{32}$ at $100\frac{1}{4}$, yielding 4.099 per cent.

The scene was set for a firm opening in New York after Treasury prices had risen in overseas markets amid a general flight-to-quality following yet another big fall in Tokyo equities.

With the Nikkei index at a six-year low, investors in Japan and Europe viewed US government securities as the safest available haven.

This week the Treasury will sell $36bn in new issues, starting with an auction $15bn in three-year notes this afternoon.

With such a large amount of new securities coming to the market, dealers and investors were understandably cautious in their trading yesterday.

■ UK government bond prices ended mixed with medium and long-dated issues closing lower due to funding concerns while short-dated issues ended slightly higher.

The Liffe gilt futures contract opened at 97.06 and drifted down to 97.02 but volumes in the futures market were well below average at around 14,000 contracts.

In the cash market, the $11\frac{3}{4}$ per cent gilt due 2003/07 fell from its opening level of $115\frac{5}{8}$ to $115\frac{1}{2}$, yielding 9.43 per cent. However, dealers said prices for shorter-dated issues remained fairly firm with the 10 per cent gilt due 1994 inching up from $100\frac{1}{4}$ to $100\frac{5}{16}$ by late afternoon to yield 9.64 per cent. The weakening in prices for medium and longer-dated issues has led to a slight flattening in the gilt yield curve.

Dealers expect longer-dated gilt prices to remain depressed in the run-up to the next auction, even though the economic data due to be released this week is expected to be positive for the market. The Bank of England announced on Friday that it plans to auction stock with a maturity of 15 years or more on August 26.

■ JAPANESE government bonds ended the day firmer with dealers reporting good demand for medium-dated issues.

The yield on the benchmark No 129 opened at 5.025 per cent and traded in a range of 5.005-5.045 per cent before closing at 5.015 per cent. In the futures market, the September contract opened at 104.50 and ended at 104.60. Volumes in both the cash and futures markets were below average, which dealers blamed on the holiday season.

■ GERMAN government bond prices ended the day lower with the Liffe bund futures contract moving from its opening of 87.35 to end at 87.24, just above the low price for the day.

Dealers said the European government bond markets will be focusing on two main areas in the immediate future – the next set of German money supply figures and the opinion polls in the run-up to the French referendum on the Maastricht Treaty.

The German money supply figures for July are not expected until next week and bund dealers said they will be waiting to see whether M3 growth is showing any sign of slowing down.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	111.2165	+0.506	8.34	8.31	8.31
BELGIUM		8.750	06/02	98.4500	+0.100	8.99	9.09	8.79
CANADA *		8.500	04/02	108.7800	+0.700	7.23	7.42	7.76
DENMARK		9.000	11/00	97.5200	-0.100	9.43	9.52	9.03
FRANCE	BTAN	8.500	03/97	96.8641	-0.034	9.34	9.47	9.07
	OAT	8.500	11/02	96.6300	-0.190	9.00	9.06	8.76
GERMANY		8.000	07/02	99.7900	-0.040	8.03	8.10	7.84
ITALY		12.000	05/02	94.2650	+0.020	13.471	13.72	13.32
JAPAN	No 119	4.800	06/99	98.4999	+0.138	5.10	5.00	5.41
	No 129	6.400	03/00	107.7162	+0.146	5.00	4.95	5.18
NETHERLANDS		8.250	06/02	99.1100	-0.055	8.38	8.41	8.28
SPAIN		10.300	06/02	90.3100	-0.025	12.01	12.15	11.45
UK GILTS		10.000	11/96	101-16	+1/32	9.55	9.58	9.10
		9.750	08/02	102-28	-1/32	9.30	9.26	9.00
		9.000	10/08	99-15	-5/32	9.06	9.00	8.80
US TREASURY *		7.500	05/02	107-04	+14/32	6.50	6.70	6.88
		8.000	11/21	107-18	+13/32	7.36	7.45	7.61
ECU (French Govt)		8.500	03/02	94.3200	-0.160	9.41	9.56	8.95

London closing, *New York closing session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Latin American $50m fund launched

By Richard Waters

HOPES that Argentine and Brazilian bonds will repeat some of the spectacular gains recorded by Mexican and Venezuelan instruments after debt reduction agreements with their foreign bank creditors have prompted the launch of a specialised $50m fund.

The Morgan Grenfell Latin American Brady Fund comes as both Argentina and Brazil are close to completing agreements to convert their bank debt into so-called "Brady bonds", named after the former US treasury secretary.

Since Mexico became the first country to issue Brady bonds, in March 1990, holders of Brady bonds have made substantial paper gains.

The Salomon Brothers index of Brady bonds, consisting mainly of Mexican and Venezuelan instruments, recorded a cumulative return of around 75 per cent in its first two years.

Morgan Grenfell's new fund is set to join a small list of investment vehicles which specialise in Latin American Debt.

Others, such as those run by the London-based Latin American Securities and Scudder Stevens & Clark of the US, are designed to benefit on the higher yield of debt securities from Latin American borrowers.

The Morgan Grenfell fund, on the other hand, aims to bring investors capital gains following the completion of Brady-style deals in Argentina and Brazil.

The $50m closed-end fund, which terminates in 1993, is arranged jointly with Nafinsa, the Mexican state development bank, and Banco Medefin of Argentina. Leverage means that up to $100m can be invested.

The bank debt of both Argentina and Brazil is currently languishing as a result of the political scandal in Brazil and concerns about the ability of both countries to provide the necessary collateral to back their proposed Brady bonds.

Japanese banks to issue perpetual floating-rate notes

By Emiko Terazono in Tokyo and Tracy Corrigan in London

JAPANESE banks are preparing to issue perpetual floating-rate notes, despite the high cost of such instruments, in their latest effort to build up depleted capital.

Yesterday's 3 per cent drop in the Nikkei stock index to just above 15,000, its lowest level since March 1986, has placed further pressure on Japanese banks, whose stock holdings count towards capital under Basle bank capital rules.

Although the rules do not formally come into effect in Japan until the end of the financial year next March, banks are keen to knock their balance sheets into shape ahead of September's interim book closing.

Sakura Bank (formerly Mitsui Taiyo Kobe) is preparing a $800m offering of perpetual subordinated floating-rate notes in the Eurobond market. Sakura was the sole bank among Japan's 11 commercial, or "city", banks to fail to reach the 8 per cent capital adequacy ratio at the end of the last fiscal year.

This sizeable offering is expected to pave the way for a series of similar offerings.

"There isn't a bank which isn't considering the issuance of perpetual subordinated bonds," said Sanwa Bank, a leading commercial bank.

Mr Kiichiro Ito, president of Tokai Bank, also announced that Tokai is considering issuing perpetual subordinated FRNs in late September.

Many banks are in need of additional capital injections. According to IBCA, the credit rating agency, even with the Nikkei index at 16,000, Bank of Tokyo, Sakura, Nippon Credit Bank, Fuji, Tokai and Hokkaido Takushoku may already be below the 8 per cent Basle capital requirement level, while many other banks tail close behind.

Bankers believe interest rates on the notes will be around 80 to 100 basis points higher than the US dollar London inter bank offered rate of around 3.8 per cent. "For banks which can finance themselves at Libor rates, the extra cost would be over Y800m, roughly the equivalent of annual net profits at a city bank branch with 50 to 60 staff members," said one Japanese banker.

The capital raising instruments will be issued in the international markets, but are likely to be privately placed with Japanese life insurers. However, Japanese institutional investors are currently looking to limit their investments rather than expand them. The banks may be forced to turn to companies with close relationships, in some cases financing the companies which purchase the bonds.

Bankers outside Japan are becoming increasingly sceptical about the methods used by Japanese banks in order to meet capital adequacy targets.

"Whether its the subordinated debt issues of a year or so ago, the recent preferred stock offerings, or these imminent perpetual floating-rate notes, (the bulk of the paper) ends up with Japanese companies within the same corporate grouping (keiretsu)," said one bank capital specialist.

Analysts argue that the process of a bank lending funds to a subsidiary to buy bonds, in order to shore up its own capital, undermines the whole concept of setting minimum capital requirements on an international basis.

Escom abandons plan for $150m Eurobond

By Tracy Corrigan

INTERNATIONAL BONDS

SOUTH Africa's rehabilitation in the international financial markets suffered a setback yesterday, when Escom (South Africa's Electricity Supply Commission) abandoned plans to launch a $150m Eurobond in September, as investor appetite for the offering has evaporated due to political uncertainty over the country's future. Instead, Escom will raise funds to refinance a maturing bond issue in the domestic market.

Less than a year ago, the South African government returned to the international markets after a six-year absence, launching a DM400m five-year bond issue arranged by Deutsche Bank, the first international bond offering by a South African borrower since 1985.

In March, the South African electricity utility returned to the market with a DM300m five-year deal, sold mainly to retail investors in continental Europe. The new deal would have been the first of the recent batch by South African borrowers to be denominated in dollars and so would have needed a stronger institutional investor base.

Following the African National Congress's suspension of talks on a multi-racial constitution in June, after the Boipatong massacre, millions of its supporters last week took part in a two-day general strike.

"When conditions are right, we will be back in the international market," said Mr Mick Davis, executive director, finance at Eskom.

Bankers said that before the recent setbacks to political process in South Africa, Escom would have expected to pay a premium of 200-250 basis points over the US Treasury yield curve.

Meanwhile, activity in the Eurobond market was subdued. The latest variation on the recent flurry of floating-rate notes with minimum and maximum coupon levels was provided by Deutsche Bank Finance, which launched a C$100m issue of floating-rate notes due 2002, arranged by Deutsche Bank.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
SFA Master Trust(a)††	50	(a)	99.75	1996	⅝	SBC
CANADIAN DOLLARS						
Deutsche Bank Fin.NV.(b)†‡	100	(b)	100	2002	0.50/0.30	Deutsche Bank AG

*Private placement. §Convertible. #With equity warrants. ‡Floating rate note. †Final terms.a) Backed by credit card receivables. Coupon pays 45bp above 3 month Libor. Fungible with existing issue on 29/9/1992. Callable 22/5/1995. b) Coupon pays 30bp below 3 month Canadian Bankers Acceptance rate. Minimum interest rate 5.875%, Maximum 8.90%

Taiwan bank to halt loans for investment in China

TAIWAN'S biggest bank said it would stop providing loans for investment in China to stem a rapidly growing outflow of capital to the Chinese mainland, Reuter reports from Taipei.

According to the government-run radio, the state-owned Bank of Taiwan said the measure would stimulate sluggish domestic investment and boost the island's economy because excessive capital outflow to China was causing a severe shortage of funds at home.

Bank of Taiwan will refuse applications from local companies for loans to invest in China, and will close all channels for remittances of funds there Mr Pu Chen-ming, the bank's president, said.

The bank's decision, reached at a board meeting on Monday, would pressure other banks to cut their China lending, Mr Pu said.

Total Taiwanese investment in China has soared to well over US$3bn since political tensions began easing in the late 1980s.

Net capital outflow from Taiwan surged to $1.2bn in the first quarter of this year from $550m a year earlier, and economists say much of the money went to China.

Government officials and analysts are concerned at the outflow, saying it was helping to push up domestic interest rates and suck money from the battered stock market.

It was not clear how much of an effect the decision would have on Taiwanese investment in China, as many businesses obtain funds through channels other than domestic banks.

First Western buys lender

FIRST Western Corporation has agreed to acquire residential mortgage lender Greenwich Capital Financial, part of Japanese-owned Greenwich Capital Markets, for about $130m, Reuter reports.

First Western said it would finance the acquisition with $15m in term debt and $100m in warehouse financing, with the balance coming from First Western's equity capital. The deal should close on August 31.

● The Federal National Mortgage Association will buy or exchange for its mortgage-backed securities $5bn of mortgages originated by Norwest Mortgage, a unit of Norwest Corporation, in the next 12 months, Reuter reports.

The loans include 20-year mortgages. Norwest noted that these are popular with home owners who want to pay off their mortgages early.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on August 10

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	32	14	29
Other Fixed Interest	0	9	6
Commercial, Industrial	105	501	831
Financial & Property	26	329	444
Oil & Gas	9	28	49
Plantations	0	0	9
Mines	26	27	96
Others	24	54	49
Totals	222	962	1,513

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

LIFFE EQUITY OPTIONS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Aug. 3
● Last Dealings Aug. 14
● Last Declarations Oct. 29
● For settlement Nov. 9

3-month call rate indications are also shown on this page.

Calls in Crown Eyeglass, Haemocell, Medeva, Midland & Scottish Res., Next, Psion and Spring Ram. Put in TI Group.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	37	Ladbroke	18	Sears	8½	■ OILS	
Allied-Lyons	49	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Amstrad	6	Courtaulds	43	Lex Service	22	TI	55	BP	18
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	48
BAT Inds	58	FKI	6	Lonhro	12	Tesco	22	Conroy Pet	6½
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¾
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Shell	35
Blue Circle	24	Gen Accident	38	NatWest Bank	26	Vickers	15	Tuskar Res	½
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	■ MINES	
Bowater	60	Glaxo	52	Racal Elect	5½	■ PROPERTY		RTZ	47
Brit Aerospace	26	Grand Met	38	RHM	18	Brit Land	18		
British Steel	7	GRE	13	Rank Org	55	Land Sec.	30		
BT	25	Hanson	18	Ratners	3	MEPC	26		
Cadburys	38	ICI	95	Reed Intl	44	Mountleigh	1½		

Henlys forecasts sharp recovery

By Maggie Urry

HENLYS Group, the motor trader and bus and coach combine, yesterday forecast "at least break-even" for the second half of 1992 as part of its defence against a hostile bid from rival T Cowie.

Following on a reduced first-half loss of £898,000 (£4.5m), that would mean an improvement of £5.9m for the whole of 1992 from a previous pre-tax loss of £6.8m. The group promised to maintain the 3p annual dividend and is holding the interim at 1p.

Mr Robert Wood, chief executive, said the group's strengths were substantial. The loss-making coach and bus side was now forecast to break-even in the second half before charging £700,000 of consultancy costs. Its prospects for 1993 were "excellent".

He said the motor division would make an operating profit of over £6m for the year, compared to £3.5m in 1991.

Mr Wood also attacked Cowie's management saying its bid demonstrated "a woeful lack of understanding of Henlys' businesses." He said Cowie's share price had fallen from 147½p when the bid was announced.

Robert Wood: excellent prospects for bus and coach side

Cowie's share price closed at 119p, after going ex its 2p interim dividend, making the bid worth £22.5m. The 1-for-2 share swap values Henlys' shares at 59½ apiece – they were unchanged yesterday at 69p.

So far Cowie has won acceptances from holders of 0.7 per cent of Henlys shares. The feeling among Henlys shareholders is that a higher offer with a cash element would be necessary before they would accept. Cowie has until August 18 to improve its bid.

Henlys said recent orders for its Plaxton's bus and coach building business totalled £26m, while an export agreement with Volvo Bus of Sweden, was expected to bring in sales of £15m a year. That compares with sales in the division in 1991 of £19.7m. Cost cutting measures saving £4.1m in a full year would be implemented by October.

Mr Wood said the new orders, the deal with Volvo Bus and an agreement with trade unions had all been under negotiation for some months but had "all come together over the last three to four weeks". He said Volvo Bus had the option to terminate the agreement if there was a change of control of Henlys' coach building subsidiary.

The interim results showed turnover down nearly 9 per cent at £166.5m. Operating profits from the motor division were £3.3m (£1.8m) and the loss from the coach and bus side was £1m (loss £1.4m). Exceptional items relating to a new range of coaches took £950,000 (£2.6m) and the interest charge was £2.2m (£2.3m).

The maintained dividend plus the advanced corporation tax resulted in a transfer from reserves of £1.4m (£6.7m). Losses per share were 2.7p (12.2p).

Tuskar shares suspended at 1p

By Angus Foster

SHARES IN Tuskar Resources were yesterday suspended at 1p after the Dublin-based oil and gas company announced the disposal of its last asset.

The USM-quoted company is selling its remaining 36 per cent rights in a Colombian oil field to Coplex Resources, the Australian exploration company which failed in a recommended bid for Tuskar.

Coplex will pay for the stake by issuing to Tuskar 11m shares, worth A$7.15m (£2.76m) at yesterday's price of 65 cents, next August.

Coplex bought 54 per cent of the Colombian field from Tuskar in April. The terms of that transaction have been changed and Tuskar will now be paid mainly in cash.

Following the various deals, Tuskar's stake in Coplex will be between 7.2 per cent and 14.4 per cent, depending on the amount of shares issued.

Mr Neil O'Donoghue, Tuskar chairman, said the company could not afford to fund its share of investment in Colombia.

"We could have been drilled out of the contract," he said.

The disposal leaves Tuskar with about £1m in cash and the future payment of Coplex shares or cash.

Mr O'Donoghue rejected criticism from shareholders that the company was selling assets to Coplex soon after its bid approach had been rejected. In May Coplex withdrew its all-share bid after receiving only 47.6 per cent acceptances.

He said Tuskar had been unable to raise bank finance and shareholders had not appeared keen to invest further.

Wimpey pays £5m for Czech quarries interest

By Andrew Taylor, Construction Correspondent

GEORGE WIMPEY, the construction group, is acquiring a controlling interest in Severokamen, the previously state-owned quarry company in northern Bohemia in the Czech Republic.

Wimpey is due to pay £5m cash, most of it during the next two years, to acquire a minimum stake of 50 per cent. It will also provide technical and management expertise.

The 19 quarries being acquired are situated close to the German and Polish borders, providing opportunities for export. The price of aggregates in eastern Germany is about three times that in the Czech Republic.

Mr Joe Dwyer, chief executive, said: "This stake, on which we will build, represents a long term strategic investment bringing us low cost high quality reserves, excellent development potential and access to the future growth markets of central Europe.

Wimpey-Severokamen, as the company will be renamed, produces more than 3m tonnes of mostly hard basalt rock a year, of which about 400,000 tonnes is expected to be exported to the rapidly growing eastern German construction market.

The quarries account for between 55 and 60 per cent of the local market in northern Bohemia. The company has mining rights to estimated reserves of 520m tonnes of which 220m tonnes are at sites already being excavated.

Wimpey initially will take a 34 per cent stake with the right to increase this to at least 50 per cent. It said that earnings from Severokamen were expected to at least cover the cost of finance in the first year.

Asprey alters structure following acquisitions

By John Thornhill

ASPREY, the jewellery group, is restructuring its activities following a recent spree of acquisitions by turning the parent company into a holding company and devolving most operational responsibilities to five separate business units.

The move is designed to enhance the operation of the individual companies and allow group management to focus more on supervisory and strategic issues.

The Asprey group board will be slimmed down to six members, with four executive directors resigning to concentrate on running a new subsidiary, Asprey (Bond Street), which has been created to run the core group business operating the Bond Street jewellery showrooms.

The Garrard, Mappin & Webb, and Watches of Switzerland chains will also be run as separate businesses with the rest of Asprey's companies, including international businesses and the Hamilton & Inches store in Edinburgh being operated as part of another division.

From September 1, Mr Naim Attallah will become group chief executive and deputy chairman, having previously filled the role of joint managing director.

Williamson and Assoc Nursing to improve accounts

By Andrew Jack

ASSOCIATED Nursing Services, the private nursing homes operator, and Williamson Tea Holdings, the tea producer, have agreed to provide more details of their accounting policies in their next sets of accounts.

The announcements follow judgments yesterday by the Financial Reporting Review Panel, the new accounting standards watchdog.

The panel has decided to take no further action. The accounting treatments used by the two companies in their 1991 accounts were referred to it for consideration for possible breaches of existing UK standards.

With Associated Nursing, the panel had raised concerns over the treatment of start-up costs and the adequacy of the explanation provided on a change of accounting policy.

In its accounts for the year to March 30, the company stated that it would capitalise – or take on to the balance sheet rather than treat as an item of current expenditure – the costs of building nursing homes until either three months after they were registered or until they had achieved break-even occupancy.

The panel said it welcomed a decision by the directors to review and report on its start-up policies and to include a clear and finite time limit to the capitalisation of these costs.

Williamson Tea, which is a holding company with operations in India, Kenya and Tanzania, agreed after discussions with the panel to include fuller information in future of its accounting policies on certain overseas assets.

These include the non-depreciation of leasehold and lease rental properties, and why and how asset revaluations are depreciated and transferred to reserves.

The panel's decision to take no further action in either case suggests that the practices currently being adopted are acceptable within existing accounting standards. Any changes to these standards need to be introduced by its sister body, the Accounting Standards Board.

New Ireland static at I£2.63m

New Ireland Holdings, the Dublin-based composite insurance company ultimately controlled by UAP, a French insurance group, reported a static first six months with pre-tax profits of I£2.63m (I£2.47m), against I£2.65m.

Earnings per share were 9.6p (10.4p). An unchanged interim dividend of 3.3p is declared.

The pre-tax profit included I£1.53m (I£1.32m) from general insurance but a lower I£384,000 (I£1.13m) return on investments.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Henlys ....int	1	Oct 26	1	-	3
New Ireland ....int	3.3♣	Sept 18	3.3	-	12.56
Mid Wynd Intl ....fin	3.6	Oct 21	3.4	6	5.7
Seacon ....int	2	Oct 1	1.5	-	4.2
Takare ....int	0.6†	Oct 2	0.5	-	1.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. ♣Irish pence.

Takare shows 89% advance as expansion continues

By Peter Pearse

TAKARE, the nursing group for elderly and chronically ill patients, lifted pre-tax profits by 89 per cent, from £2.99m to £5.63m, in the six months to June 30.

Mr Keith Bradshaw, chairman, said the rise was "fully in line with our expectations", and added that the financial growth reflected the physical expansion of the group – during the first half a further 720 beds were added to bring the total in operation to 3,345.

The company said that the scheduling of beds was weighted towards the first half. There are another 1,455 beds under construction and by the year-end Takare expects to have more than 5,700 beds in operation or under construction.

Since it gained its full listing in April 1989, the company has raised some £74.7m in equity issues and there have been £50m of debenture issues.

Turnover rose to £21.1m (£12.4m) and earnings per share advanced by 33 per cent to 5.7p (4.3p). The average number of shares in issue in the half was 88.9m, against 62.9m in the corresponding period.

The interim dividend is raised to 0.6p (0.5p).

Some 32 per cent of Takare's patients are contracted from the National Health Service, 54 per cent are private patients means tested and underpinned by Income Support, and 14 per cent pay their own way.

Mr Bradshaw said the government's as yet unrevealed plans for reforming community care would change the way that Takare would be paid.

The DSS Income Support umbrella would be withdrawn and the so-called "Algebra Formula" would come into play.

Nursing home care would then be funded in part from the DSS and in part from local health authorities. Mr Bradshaw was confident Takare would not suffer as a result.

● COMMENT

The number of old and chronically ill patients will steadily increase, so Takare, as an expanding provider of care, should continue its already impressive progress. However, the cycle of good results might be dented by the government's reforms scheduled for next April. At the moment, uncertainty is the problem; later, being paid by two masters might be. Recruiting good enough middle management to run the growing number of homes is likely to be a more consistent problem. Further demands on shareholders will arise, though not before September 1993, as Takare has promised. Forecasts of £11.8m pre-tax for the full-year give earnings of 12.1p per share and a prospective multiple of 16. This is not too steep in the context of continuing earnings growth.

Manders confirms its rejection of Kalon offer

By Peter Pearse

MANDERS (HOLDINGS), the paints, inks and property group fighting for its independence from Kalon, the Yorkshire-based paints maker, yesterday officially rejected its rival's final £93.5m offer.

However, it is understood that in a later development, Manders is having to issue a retraction of at least part of its document.

Mr Roy Amos, chairman, repeated that the offer "grossly undervalued Manders", that Kalon's share price – static at 89½p yesterday – was fragile because of its over-dependency on a "handful of large customers" and that the combined Kalon/Manders business could not achieve the £5m cost savings claimed by Kalon. He also said that Kalon's management record in chemicals and industrial coatings was "dismal", that it had not produced a profits forecast and that its offer was not underwritten.

It is thought that Kalon complained of this last point saying that it did not want to underwrite its original all-share offer, preferring to preserve cash for the development of the combined businesses.

Kalon increased its share offer from 8-for-3 to 17-for-6 at the end of last week and added a cash alternative of seven of its shares plus 150p for each three Manders shares.

Mr Mike Hennessy, group managing director of Kalon, dismissed Manders' document as a "kneejerk reaction full of the old arguments". He questioned the motives of Manders' management in its "change of mind" over the possible sale of the Manders Centre and of Windeck, Manders own-label paint factory, revealed in the last few days by James Capel.

Capel also forecast that Kalon would increase pre-tax profit to £13m this year from £9.2m last year.

Holmes gains approval for restructuring

Holmes Protection, the US security company quoted in the UK, yesterday announced it had received shareholder approval for its capital restructuring.

After a decade of making acquisitions, mainly financed by borrowings, Holmes had been struggling to survive with an enormous burden of debt.

A solution proposed by former directors – which involved selling the best operating companies – was rejected by shareholders in September 1991, and a new management team headed by Sir Ian MacGregor was voted into office.

The seven North American institutions which were unsecured lenders to the group, have agreed to forgive a portion of the debt and accept a part cash and part debt-for-equity swap for the remainder.

A new force in the contracting marketplace

Andrew Baxter on the prospects for Trafalgar House a year after the Davy acquisition

THE CORPORATE cliché, "critical mass", is the kind that Mr Allan Gormly, the quietly-spoken Glaswegian who runs the engineering division at Trafalgar House, hates using. "We need to find a better label for it," he says.

Nevertheless, it is a phrase that is hard for Mr Gormly to avoid when describing the results of Trafalgar House's controversial takeover of Davy, the UK process plant contractor whose disastrous losses on the Emerald Producer rig conversion contract cost it its independence.

The takeover created a new force in process plant contracting worldwide, and gave the Trafalgar House engineering division an important new leg in minerals and metals plant contracting.

A little more than a year after the agreed deal was announced, Mr Gormly says a number of clients have viewed the enlarged engineering contractor as such a significant player – among the world's top four – that they have come to talk to the company rather than wait for a call.

In a competitive global contracting marketplace where business conditions are decidedly mixed, Mr Gormly says that is quite encouraging – "much better than being number 15 in a bid slate of 20."

None of this, perhaps, is likely to cut much ice with Davy shareholders who have been hanging on for the past year in the hope – now virtually doomed – of receiving their second payment of £54m from what was originally a two-stage £114m deal.

For Trafalgar House, the surprise result of the takeover has been the extent to which it has been drawn into the legal wrangle over the contract.

"We didn't think we were getting into that sort of drama," Mr Gormly admits, "and it has taken up an immense amount of senior managers' time. It will linger on for a while yet, but it is substantially behind us."

In contrast, the rest of the story has gone according to plan. Davy's process plant side has been integrated with John Brown Engineering & Construction – "You can't see the join," says Mr Gormly.

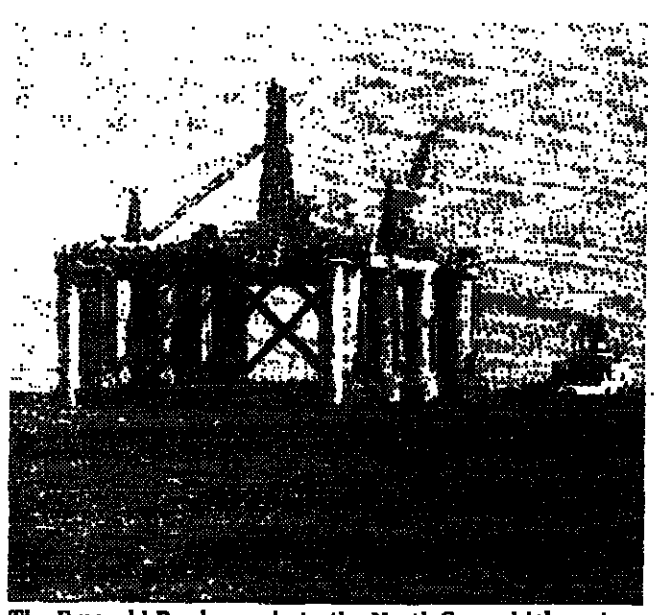
The stricken contractor's minerals and metals business, meanwhile, has retained the Davy name and become one of the six segments of the engineering division, with 6,000 employees out of 26,000 – nearly half of whom are in the enlarged John Brown engineering and construction business.

The integration process has produced few surprises. There is "more mileage" in some of Davy's process technology than had been thought before the merger, says Mr Gormly, but as expected management systems have been tightened up under the new regime.

The main disappointment has been external to Davy – a recession that has proved to be deeper and longer than expected, notably in steel mill work across the developed world.

"I don't think any supplier or client saw as recently as a year ago just how severe the recession was going to be," says Mr Gormly.

But this is no reason for having any regrets about the takeover, he says. "We recognised that the world capital goods side was going to slow down, that was inevitable after four or five years of growth . . . if you wait until you've got Utopia on all five fingers of your hand you'd never do anything."



The Emerald Producer rig in the North Sea, which cost Davy an estimated £140m and its independence

In fact, one of the key aims of the takeover was to extend the engineering division's reach, both geographically and in business sector terms, to take advantage of the more buoyant parts of a "curate's egg" market.

In geographical terms, the outlook varies from patchy in North America, which is at the bottom of the cycle but starting to show signs of life, to booming in south-east Asia.

The story is similarly mixed on the products side, varying from "bad news almost universally" in commodity chemicals to "quite strong" and "fairly buoyant" in pharmaceuticals and power respectively.

Inevitably, though, there are nuances within this picture, which the enlarged business is better able to exploit. While the steel business is depressed worldwide, there is work in the former Soviet Union, where money is being made available for steel mill modernisations – right up Davy's street.

The contracts are smaller than before the break-up of the Soviet Union, says Mr Gormly, and are being handled in segments of about £10m apiece.

Since the Davy takeover, the engineering division has tied up a number of other important deals. In March, John Brown unveiled a 50-50 joint venture with Austria's Voest-Alpine as a springboard for expansion into Germany and eastern Europe.

John Brown's Portsmouth office has also broken new ground this year by signing so-called partnering agreements with ICI and BP Chemicals – long-term arrangements designed to dovetail client and contractor's engineering skills to save time and money.

In the case of ICI, for example, John Brown and Foster Wheeler of the US will share all the chemical company's small and medium-sized contracts. Tendering is replaced by a rigorous competition to become a client's preferred contractor.

Depending on ICI's investment pattern, John Brown is thus guaranteed a "solid base-load" of work, according to Mr Ian Robinson, chief executive of John Brown Engineering & Construction. The company is in discussions with other clients on further partnering arrangements.

While these deals are potentially significant in the long-term, the Davy takeover is already bringing benefits, raising an obvious question: have Mr Gormly and Trafalgar House got themselves a bargain?

"I really don't know, only time will tell," says Mr Gormly. "We paid a fair price, and recognised there was risk in the rig contract, hence the contingent second payment."

According to Mr Peter Deighton at Smith New Court, the deal looks "very shrewd" from a process engineering viewpoint. "Davy had taken on a daft contract, but the rest of the company was not in bad shape . . . With the process engineering market beginning to look healthier, and the radical changes caused by environmental legislation, I would have thought [£60m] was a very reasonable price."

NEWS DIGEST

Huntingdon helped by acquisition

THE ACQUISITION last December of Travers Morgan, the engineering consultancy firm, cushioned Huntingdon International through the third quarter to June 30, more than offsetting a decline in revenue from its US engineering and environmental services activities.

Overall, the group lifted revenue from £32.6m to £39.2m but saw pre-tax profit fall from £4.83m to £3.22m. Earnings per share were 2.6p (4.3p).

For the nine months revenues came to £109.1m (£88.5m), profits to £10.2m (£12.1m), and earnings to 8.1p (10.3p).

Life sciences increased revenues by 5 per cent, while Travers Morgan lifted its revenues and improved operating margins by 11 per cent.

Seacon ahead 47% to more than £1m

Seacon Holdings, the shipping and distribution group, increased pre-tax profits by 47 per cent, from £717,000 to £1.05m, in the half year ended March 31.

Turnover was marginally lower at £9.52m (£9.58m) but operating profit doubled to £669,000.

Reduced charter hire rates, a more stable D-Mark/sterling relationship and lower bunkering costs all contributed to better results.

With freight rates often below those of last year, static turnover indicated an increase in market share. In cargo handling and distribution tonnages to date had increased and eased the consequences of severely squeezed margins.

The interim dividend is lifted to 2p (1.5p) and a minimum total of 5p (4.2p) is forecast. Fully diluted earnings per share were 6.88p (4.67p).

Mid Wynd asset value declines

Net asset value of Mid Wynd International Investment Trust fell from 290.5p to 280.9p over the 12 months to June 30.

Earnings per share were down from 6.7p to 6.34p. A final dividend of 3.6p lifts the total to 6p (5.7p).

St Modwen chief invests in offshoot

Mr Stanley Clarke has invested £1.56m in Uttoxeter Leisure & Development, a subsidiary of St Modwen Properties of which he is chairman.

As a result St Modwen's holding in Uttoxeter, which operates Uttoxeter Racecourse, is reduced from 81 per cent to 32 per cent.

St Modwen will be repayed a £479,000 loan and its balance sheet will lose Uttoxeter's debt to third parties of £262,000.

NatWest poised to expand in Italy

National Westminster Bank yesterday announced its intention to acquire the business of the Milan branch of Continental Bank.

The branch will form part of NatWest Markets, the corporate and investment banking arm of NatWest. It will focus on treasury, risk management and capital markets services as well as corporate banking.

Ross expands in vehicle markets

Ross Group, the consumer electronics and packaging services company, has acquired Sonicare, an importer and distributor of in-car entertainment and vehicle security products, for an undisclosed cash sum.

Sonicare supplies retail multiples, mail order and original equipment markets and has an annual turnover of approximately £5m.

Caledonia heads Wallem consortium

Caledonia Investments is leading a consortium of investors acquiring Wallem, a Hong Kong-based shipping services company, from TSB for £15m.

Caledonia has taken a 81 per cent stake, equal to £13.8m, although it will hold only 26 per cent of the voting rights. The other investors are Seattle Shipping, Wallem's management and Mr Anthony Hardy, a former Wallem chairman.

Wallem made pre-tax profits of £3.1m in the year to October 31 and had net assets of £8.2m.

Bimec expands maintenance side

Bimec Industries, the Birmingham-based environmental engineering group, has acquired Pearl Contracts Holdings, a building and maintenance services concern, from Cannon Street Investments.

The consideration comprises 3.25m Bimec shares which will be retained by the vendors for 12 months. Bimec's share price closed at 19½p yesterday.

In the 1991 year, Pearl's turnover amounted to £13.4m. Net assets, after adjusting for reorganisation and reconstruction costs, were £1.5m at the date of acquisition.

SPLIT net asset value down to 994p

Over the 12 months to June 30 the net asset value of capital shares at Save & Prosper Linked Investment Trust dropped from £10.68 to 994p, while the value on the income shares remained at 100p.

Net revenue was maintained at £2.49m, with earnings of 47.43p (47.38p) per income share. The total dividend for the year – an unchanged 47.4p – has already been paid.

Caspen makes two acquisitions

Caspen Oil has expanded its engineering and oil producing interests for £217,000 and $385,000 (£149,000) respectively.

It has acquired the specialist engineering business and trade names of Villiers, which is expected to double turnover of the engineering division.

The US subsidiary has consolidated its position in the Somerset Field, Texas, by purchasing a small group of oil producing properties and associated equipment. Current production is running at an annual rate of 15,000 barrels net to Caspen, and there are attributable proven reserves of over 100,000 barrels.

Jupiter European £5.6m fund raising

The board of Jupiter European Investment Trust proposes an open offer and placing to raise up to £5.6m net, and to reorganise the company into a split capital investment trust through a scrip issue of zero dividend shares.

The reorganisation should bring the market value of the ordinary shares more closely into line with the underlying net asset value – the discount was 22 per cent on July 17. The trust's life will end on December 31 2000.

Holders of ordinary shares and warrants can apply for up to 7.2m shares and 1.44m warrants at 78½p, on a 1-for-1 basis. Some 6m shares and 1.2m warrants have been placed, subject to clawback.

The scrip issue of zero dividend shares will then follow, again on a 1-for-1 basis.

It is proposed to change the accounting date to August 31 and to pay semi-annual dividends in future. The initial annualised dividend is forecast at not less than 1.67p.

CIS copper smelters come to aid of western miners

By Kenneth Gooding, Mining Correspondent

THE SEVERE shortage of copper smelting capacity, which has helped to keep the metal's price up in spite of the recession in most industrialised countries, is being partly relieved by smelters in Russia and Kazakhstan.

The Commodities Research Unit consultancy group estimates that at least 75,000 tonnes of fully-refined cathode copper and semi-refined blister copper will come back to the west this year from smelters in these republics.

For a fee they have been treating copper concentrates (intermediate material) supplied by mines in the west, where the lack of smelter capacity has pushed treatment charges to record levels for those miners who have no long-term contracts with smelting companies.

Two trading houses, Marc Rich, based in Zuu, Switzerland, and Euromin, which has offices in Stockholm and Moscow, have been having concentrates toll smelted in the Commonwealth of Independent States, where smelters in the Urals and Kazakhstan not only have excess smelting capacity but also a burning desire to earn foreign currency.

Mr Christopher Stobart, the CRU's CIS expert, suggests that only companies that know the region well can organise the process. Concentrates must travel huge distances at a time when much of the CIS transport system is in chaos; metal recovery from the concentrates is not as high as in western smelters; and getting the copper back to the west without having some stolen can be tricky.

Nevertheless, western smelter charges for treating concentrates, which once ranged between 10 cents and 20 cents a lb, have jumped to 35 cents and this makes the risky business worthwhile.

The CRU suggests that toll smelting in the CIS has effectively relieved the acute smelter bottleneck in the west and should keep the price of refined copper below $1.20 a lb.

It suggests concentrate treatment charges in the west are likely to range between 15 cents and 32 cents a lb from now on but this is not high enough to encourage many new smelter projects. So the smelter tightness, in a less acute form, is likely to continue for some years.

Support fails to buoy rubber

By Kieran Cooke in Kuala Lumpur

RUBBER TRADERS remain unconvinced that prices will climb despite buying at the end of last week by the International Natural Rubber Organisation's buffer stock manager.

Inro bought in between 4,000 and 8,000 tonnes of Malaysian rubber and an estimated 1,000 to 2,000 tonnes of Indonesian. It was the first time the buffer stock manager had intervened in the market since last December. Traders said that while Inro's action might have prevented a further fall in prices, there was little optimism that market conditions would improve in the short term. Prices for Malaysian rubber are now about 220 Malaysian cents a kilogram, compared with 228 cents a year ago.

"There is still weak demand," said one trader. "Factories in the main markets are closing for holidays plus there is no sign of a pick up in car sales – which means tyre demand is down."

Traders say prices have been helped by purchases by the CIS and by China.

Credit boost for Argentine farmers

By John Barham in Buenos Aires

ARGENTINA HOPES to increase farm output and exports with the announcement of about US$300m of new low-cost, medium-term, revolving credit lines from state-owned Banco de la Nacion Argentina (BNA).

President Carlos Menem announced the new measures on Saturday at Argentina's premier agricultural show. The government also hopes to have more long-term farm loans, provided by multilateral lending agencies, available by the first quarter of 1993.

However, no details of the BNA package are available yet. The bank is expected to raise the money on the international financial markets. Nonetheless, Mr Osvaldo Sarachu, an agricultural economist, said "a group of small farms or a single large farm would be able to borrow money for 180 days at interest rates of about 9 to 12 per cent a year, if they commit themselves to export their production".

He said that the BNA, Argentina's largest bank, was lending at about 17 per cent a year. Nominal interest rates at private banks are even higher, ranging between 20 per cent and 60 per cent. Interest rates have dropped sharply as inflation has fallen to 19 per cent after the government pegged the currency at par to the US dollar in 1991.

Still, financial costs are a heavy burden, and small farms are worst affected. Mr Sarachu calculates that financial charges average about 8 per cent of wheat producers' costs. Argentina's farmers are expected to spend $1.5bn to plant 16m hectares (40m acres) of grains this year. They are also investing more on new farm equipment, increasing the demand for credit.

Argentina's farm grain exports have fallen steadily after reaching a peak in 1983 when exports brought in $3.23bn. Last year, exports were worth $2.05bn. Argentina, one of the world's lowest-cost farming nations, has been undercut by subsidised exports from the US and European Community. Domestic instability has made things even worse for farmers.

Sudden economic recovery has led to a rapid increase in imports and Argentina's trade balance may go into the red for the first time since 1987. Any increase in farm exports would have an immediate positive impact on the trade account.

Milk board publishes co-operative proposals

By David Blackwell

THE LONG drawn out process of reforming the Milk Marketing Board for England and Wales moved up a gear yesterday with the publication of its proposals to turn itself into a single voluntary co-operative.

The Bill to end the board's 60-year-old statutory monopoly on milk supplies is likely to come before Parliament in the autumn and be given Royal Assent in June next year. The final revocation of the scheme under which dairy farmers are required to sell their milk to the board would then follow some time in 1994, along with the flotation of Dairy Crest, the board's wholly-owned subsidiary, which has a 25 per cent share of the British market for manufactured dairy products.

Today the published proposals will drop through the letter boxes of nearly 30,000 English and Welsh dairy farmers. They will be able to choose whether to sell their milk through the new co-operative, or to go it alone.

The MMB's assets – excluding shares in Dairy Crest – will be passed to the new co-operative. Dairy Crest will be floated as a separate company and shares distributed to dairy farmers on the basis of milk production over a qualifying period.

Mr Andrew Dare, the board's newly-appointed chief executive, said yesterday: "There is going to be a free market in milk. Any farmer can supply any buyer. It's a million miles from a monopoly".

Mr Bob Steven, the MMB chairman, said the board was convinced that a co-operative with pooled prices was the best way forward for the industry. It would pay market related prices, give security and regular payments to its members, and "provide a fair balance against the ever-increasing concentration of processors and retailers".

The Agriculture Ministry said yesterday it would comment on the published proposals as soon as possible, and pointed out that the European Commission had put up no objections so far.

Indian tea growers face problems over falls in prices and production

By Kunal Bose in Calcutta

THE INDIAN tea industry is facing critical problems over production and prices. The country's tea output declined by 26.21m kg in the first six months of 1992, compared with the corresponding period last year, to 237m kg. And the average price realised at the Calcutta auction in the period to the end of July was Rs3.78 (6.75p) down at Rs44.05 a kilogram.

The combination of lower production and reduced prices has badly affected the profitability of Indian tea companies, particularly the ones owning estates in south India and West Bengal, according to industry officials. First half production in the south Indian estates was down by a little over 18m kg at 75m kg. Tamil Nadu alone suffered an 11.3m kg shortfall; Kerala's output was down by 6.6m kg; and Karnataka's by 256,000 kg. Plucking in earlier months of the season suffered because of a severe drought.

West Bengal, which missed out on pre-monsoon showers, produced 44.43m kg in the first half, compared with 55.11m kg a year earlier. The production shortfall in Dooars was 7.58m kg, in Terai 2m kg and in Darjeeling 1.1m kg.

According to Mr Vijay Dudeja, spokesman for the brokers, the Darjeeling gardens, which have a small production base but earn a very high unit value for their tea, will be hit badly by the substantial drop in production.

Out of India's total production of 742m kg in 1991, the share of Darjeeling was only 13m kg. Assam, where the largest quantity of Indian tea is grown, had in the first half of the year gained 2.7m kg to 117m kg. There has since, however, been a marginal fall in production to 47m kg in June.

While India may find it difficult to achieve its production target of 720m kg in the current year, the quality of tea in all centres has turned out to be good, says Mr Dudeja. He attributes this to a growing realisation among the planters that the only way they can make profit is by concentrating on the production of quality teas.

The price difference between good and plain categories has increased to about Rs20 a kg. The reduced presence of Russia, traditionally the biggest buyer of Indian teas, at the auction centres is said to be partly responsible for low tea prices. Russia has so far bought 14m kg of Indian tea, compared with 40m kg in the corresponding period of 1991.

Among all the tea producing countries, Sri Lanka has suffered the most, with production declining by 34.6m kg to 68.5m kg in the five months to May. The Kenyan crop is estimated to have fallen by 10.08m kg to 76.7m kg.

The world tea crop shortfall during the current year will be about 100m kg, according to Mr Dudeja.

CIS reduces nickel exports

EXPORTS of unwrought, unalloyed nickel from the Commonwealth of Independent States to Germany and Japan slumped in the first quarter of 1992, says the International Nickel Study Group, Reuter reports from the Hague.

Germany took 2,751 tonnes after 5,035 in the same period last year and 4,426 in 1990. Japan took 1,180 tonnes, down from 6,476 and 3,034.

UK fights sugar disease

BRITISH AGRICULTURE officials are combating an outbreak of the sugar beet disease rhizomania on a farm in Norfolk, eastern England, the first such case in two years, the Ministry of Agriculture Fisheries and Food said yesterday, Reports Reuter.

The ministry said that the outbreak was detected during an annual survey for the soil borne disease which reduces crop yield and the sugar content of the beet.

Strict movement controls have been imposed on the farm and inspectors are investigating neighbouring farms, the ministry said.

It said that the soil-borne disease, which is present in much of continental Europe, was first discovered in Britain in on a farm in Suffolk in 1987. It was found on two farms in 1989 and three in 1990, all in Norfolk.

Watching Capricorn rise over Capitol Hill

Matthew Kaminski decribes a Washington junket devoted to the delights of goat's milk

SOME WINE and cheese parties could be held only in Washington.

Take a recent Thursday afternoon on Capitol Hill. An august congressional hearing room with a red carpet and stucco walls was spruced up for a reception: wines and cheeses, both domestic of course, were served and a motley group of hosts, ruddy-faced and wearing paper name tags, met all visitors with hearty handshakes.

The talk that filled the air was of one thing only, a subject so dear to the hearts of all the constituents who travelled to Washington: goats.

The American Dairy Goat Producers Association had put on the party, according to one of its pamphlets, "to introduce you to the wonderful world of dairy goats" who are "alert, intelligent, socially inclined and affectionate. A loving and loved pet".

In fact, the gala affair was only a taste sampling. No cheques or endorsements at this gathering, only goat cheeses (from chevre to mozzarella), goat ice cream (chocolate and vanilla), goat butter, goat bon bons, goat milk, goat yoghurt, goat fudge.

"We're not lobbyists," said Mr Larry White, a goat and cattle farmer from Virginia. "Just trying to get the word out that goat products taste good."

And, perhaps taking a cue from the Rio Earth Summit, participants emphasised that their produce was environmentally correct, too. Compared with cows – the industry's main, and so far untouchable, competitor in the milk market – goats eat more sparingly and take up less space, and thus put less of a strain on the earth's resources.

Pound for pound, the goat produces twice the milk a cow can, which is not a bad sell for economic efficiency in recession-plagued America. "In the US, we think bigger is better," said Ms Linda Cambell, the association's president, adding that if people were truly serious about economising they would switch from cow milk to goat milk.

Just as dear to Americans are health concerns, and the goat enthusiasts have points to make here. Goat milk, with fewer calories and less fat, is considered healthier than the bovine; this is especially true for those with weak stomachs, because the protein structure of goat's milk is easier to break down, according to Mr Jerome Samuels, who not only distributes it but drinks it to alleviate his own stomach ulcers.

Ms Emily Benedict, who raises cows and goats on her 260-hectare (650-acre) farm in West Virginia, noted that ironically "heifers grow better on goat milk than cow milk." Little wonder, then, that goat milk is so popular in health food stores, and especially in California.

But there is a problem. The goat people, like many other Americans, feel a little disaffected and marginalised by foreign competition and domestic prejudice.

The foreign threat comes principally from France, which is also a bète noir of US trade officials. The French dominate the goat cheese market. Although domestic production of 1.8m lb exceeds the 1.1m lb that is imported from France, producers lament that the French product is more popular and more easily available in America. The standard excuse is that US labour costs are higher and product quality regulations stricter, while the French under-price their cheeses in the US market and simultaneously play on the American bias in favour of French cheese.

An appeal to patriotism may be just what is needed. "We need to promote 'Made in America'," said Ms Cambell, whose group represents 13,000 farmers and some 400,000 goats. "The US imports a tremendous amount of goat cheese, but ours is just as good as the French."

Even so, bias is not limited to snobbery. Mr Samuels, the goat milk distributor, said that his product "has a stigma attached to it – just the name". The group, through these meetings, tries to show people that in fact goat milk "tastes great".

And yet, despite the innocuous billing for the party, the political designs were not far beneath the surface, as became apparent with the arrival of a Very Important Guest (nobody dared call him the big cheese) to meet the flock.

This was the powerful House Agriculture Committee chairman, Mr Kika de la Garza, a Democrat from Texas. He is the group's champion on dairy goat research, alternative agriculture funds, and medical research for (not on) goats. He too, like the less prominent congressmen who came before him, shook hands, had his picture taken, and departed five minutes later without trying either the Alabama soft chevre or the Oregon feta.

Out in the hallway - irreverently called the Gucci Gulch, because many well-dressed and well-paid lobbyists drift there to sway votes during committee hearings – Mr de la Garza explained his commitment to the goat.

"I grew up drinking goat milk in Texas," he said. "We have to make the palates of Americans knowledgeable of the delicacies of the dairy goat."

So the day was a success. The products were plugged and Mr de la Garza saw them. And as the sun set on the Hill everyone went back to their goat farms with their faith in American democracy, and their legislative priorities, renewed.

WORLD COMMODITIES PRICES

MARKET REPORT

Profit taking and long liquidation pushed New York's **PLATINUM** futures down sharply by midday, knocking the London bullion market price lower. New York analysts predicted a further fall as prices had slipped through an uptrend line. Chartists predicted a further fall to $365 a troy ounce for October delivery. A drop in Japan's Nikkei stock index sparked speculation that demand will lessen in the world's biggest importer. A belief that South Africa's government will resume constitutional talks with the ANC prompted expectations that tension would ease in the world's biggest producer. Considering platinum's fall, **GOLD** had held up well, a London trader said. But Comex gold futures were easier at midday and analysts were predicting a further fall because of a sharp drop in the CRB index, a widely watched inflation indicator. New York's arabica **COFFEE** futures had hit lifetime lows twice by midday. A report in a Bogota newspaper that Colombia would increase its coffee exports undermined prices. The fall pushed the London robusta market lower, although traders said there was no physical reason for the retreat.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.55-7.70y	-.225
Brent Blend (dated)	$19.50-9.55	-.200
Brent Blend (Sep)	$19.65-9.70	-.225
W.T.I (1 pm est)	$21.00-1.05y	-.200
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$219-221	
Gas Oil	$172-173	-2.0
Heavy Fuel Oil	$84-85	-1.0
Naphtha	$188-189	-1.5
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$350.50	-0.45
Silver (per troy oz)♣	397.6c	+3.6
Platinum (per troy oz)	$375.00	-2.25
Palladium (per troy oz)	$88.00	+0.25
Copper (US Producer)	117.50c	+0.50
Lead (US Producer)	40.1c	+0.70
Tin (Kuala Lumpur market)	15.74r	-0.05
Tin (New York)	312.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	110.07p	-1.46*
Sheep (live weight)†♠	73.93p	-1.97*
Pigs (live weight)†	76.67p	-2.87*
London daily sugar (raw)	$263.5w	-0.5
London daily sugar (white)	$293.5w	-2.0
Tate and Lyle export price	£245.5	-1.0
Barley (English feed)	£118.0z	
Maize (US No 3 yellow)	£151.5	
Wheat (US Dark Northern)	Unq	
Rubber (Sep)♥	50.50p	+0.50
Rubber (Oct)♥	50.50p	+0.50
Rubber (KL RSS No 1 Jul)	219.5r	
Coconut oil (Philippines)§	$485.0t	+7.5
Palm Oil (Malaysian)§	$375.0y	
Copra (Philippines)§	$315.0	-2.5
Soyabeans (US)	£134.5y	-2
Cotton "A" index	61.15c	+0.05
Wooltops (64s Super)	380p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg t-Sep/Oct w-Aug/Sep y-Sep z-Oct/Dec. †Meat Commission average fatstock prices. * change from a week ago ♥London physical §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Oct	216.00	216.00	214.00
Dec	203.00	205.00	203.00
Mar	206.00	205.00	204.00
White	**Close**	**Previous**	**High/Low**
Oct	267.50	269.10	268.50 266.60
Dec	263.80	265.10	265.00 263.30
Mar	266.00	267.10	268.00 265.50
May	269.80	270.50	269.50 268.90

Turnover: Raw 43 (79) lots of 50 tonnes. White 409 (495) Paris- White (FFr per tonne): Oct 1334.29 Dec 1334.67

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Sep	19.69	19.86	19.90 19.65
Oct	19.74	19.91	19.89 19.69
Nov	19.72	19.87	19.86 19.69
Dec	19.65	19.81	19.75 19.64
Feb	19.55	19.68	19.62 19.45
IPE Index	19.94	19.95	19.94

Turnover 28763 (25422)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Aug	178.75	178.25	177.75 175.25
Sep	178.75	181.75	181.50 178.75
Oct	182.75	185.00	184.50 182.25
Nov	185.50	187.50	188.50 184.50
Dec	187.25	189.50	188.25 186.50
Jan	186.50	189.00	187.25 186.50
Feb	183.25	185.50	182.75
Apr	176.00	178.50	176.00

Turnover 18366 (13489) lots of 100 tonnes

TEA

There was strong and active demand with 14,660 packages for the day reports the Tea Brokers' Association. Landed brightest East African teas and the better liquoring mediums showed further gains. Plainer mediums were a strong feature and often 5 to 10p dearer. Central African teas met fair competition. Ceylons attracted fair support at about last levels except the plainer teas which were often neglected. Offshore good demand with prices firm on last rates. The highest price realised this week was 205p for a Rwanda pl.1. Quotations: quality 170, nom good medium 140p, medium 125p, low medium 80p.

COCOA - London FOX £/tonne

	Close	Previous	High/Low
Sep	637	635	638 634
Dec	668	667	672 666
Mar	697	695	699 696
May	715	713	716
Jul	733	732	733
Sep	749	753	749

Turnover: 1394 (4068) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Aug 7 821.28 (810.81) 10 day average for Aug 10 798.27 (793.91)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Sep	722	740	735 725
Nov	743	763	754 745
Jan	760	777	778 760
Mar	773	790	773 772
May	805	796	805
Jul	820	813	820

Turnover: 1096 (1483) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Aug 7: Comp. daily 47.03 (47.05) 15 day average 47.94 (48.14)

POTATOES - London FOX £/tonne

	Close	Previous	High/Low
Apr	60.0	63.5	61.0 59.5

Turnover 178 (85) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	118.00	-	118.00
Feb	117.70	120.00	117.70

Turnover 65 (903) lots of 20 tonnes.

FREIGHT - London FOX $10/index point

	Close	Previous	High/Low
Aug	1080	1085	1080
Sep	1115	1130	1115
Oct	1200	1210	1205 1198
Jan	1245	1245	1245
BFI	1060	1059	1060

Turnover 35 (95)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Sep	112.85	112.50	112.85
Nov	115.75	115.55	115.80 115.75
Jan	119.45	119.20	119.45
May	125.50	125.45	125.70 125.50
Barley	**Close**	**Previous**	**High/Low**
Nov	112.70	112.50	112.70
Jan	116.40	116.40	116.40

Turnover: Wheat 59 (133). Barley 19 (129). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	103.50	104.2	

Turnover:0 (107) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 26,326 lots
Cash	1308-9	1312.5-3.5	1315.5/1315.5	1315.5-6.0		
3 months	1331-2	1336-7	1345/1332	1338-8.5	1331-2	182,801 lots
Copper, Grade A (£ per tonne)						Total daily turnover 18,008 lots
Cash	1305.5-6.5	1307-8	1313/1307	1311-3		
3 months	1325.5-6.0	1326-7	1334/1321	1330-1	1321-2	146,415 lots
Lead (£ per tonne)						Total daily turnover 1,100 lots
Cash	342-3	348-9	346/345.5	345.25-5.50		
3 months	351-2	357.5-8.5	357/352	353-4	352-3	29,800 lots
Nickel ($ per tonne)						Total daily turnover 6,025 lots
Cash	7250-60	7345-50		7300-10		
3 months	7330-5	7415-20	7415/7320	7385-90	7355-60	24,563 lots
Tin ($ per tonne)						Total daily turnover 1,614 lots
Cash	6750-5	6770-5		6750-60		
3 months	6785-90	6805-10	6790/6750	6785-90	6750-60	12,940 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,872 lots
Cash	1361.5-2.5	1358-60		1358-9		
3 months	1355-6	1356-7	1357/1355	1356.5-7.0	1354-5	67,220 lots

LME Closing £/$ rate: SPOT: 1.9270 | 3 months: 1.8952 | 6 months: 1.8623 | 9 months: 1.8343

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	350.40-350.60	
Opening	350.70-351.10	
Morning fix	350.75	182.094
Afternoon fix	350.35	182.095
Day's high	350.90-351.10	
Day's low	350.30-350.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.70	6 months	2.71
2 months	2.70	12 months	2.75
3 months	2.70		

Silver fix	p/troy oz	US cts equiv
Spot	206.40	397.60
3 months	211.60	400.75
6 months	216.85	404.10
12 months	227.85	412.30

GOLD COINS

	$ price	£ equivalent
Krugerrand	350.00-352.00	181.00-183.00
Maple leaf	360.80-363.10	-
New Sovereign	85.00-87.00	43.00-45.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1300	28	63	11	24
1350	70	37	39	46
1400	1	78	83	78
Copper (Grade A)	**Calls**		**Puts**	
2450	72	93	10	52
2500	39	66	26	76
2550	17	46	54	105
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
700	28	61	5	18
750	5	33	32	40
800		17	77	74
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
575	62	98	1	5
600	39	76	3	10
625	21	58	10	17
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
2000	8	32	36	60
2050		14		
2100				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	350.4	350.3	350.9	350.0
Sep	351.0	350.9	0	0
Oct	352.1	352.0	352.8	351.4
Dec	354.0	353.9	354.4	353.4
Feb	355.9	355.8	356.2	356.0
Apr	357.7	357.7	357.3	357.2
Jun	359.6	359.7	359.7	359.7
Aug	361.5	361.7	0	0
Oct	363.6	363.9	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	370.3	378.6	378.0	370.0
Jan	369.3	377.3	374.5	369.0
Apr	369.8	377.5	371.5	370.5
Jul	370.8	378.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	395.3	396.2	0	0
Sep	396.5	397.2	396.5	395.5
Oct	398.5	399.2	0	0
Dec	400.5	401.2	402.5	399.5
Jan	401.9	402.6	0	0
Mar	404.7	405.4	405.0	404.5
May	407.7	408.4	0	0
Jul	410.4	411.1	0	0
Sep	413.4	414.2	0	0
Dec	417.8	418.7	418.0	418.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	112.20	113.40	113.30	112.20
Sep	112.65	113.80	113.70	112.65
Oct	112.75	113.65	112.95	112.80
Nov	112.60	113.55	113.10	113.00
Dec	112.50	113.45	113.40	112.55
Jan	112.00	112.85	0	0
Feb	111.65	112.45	0	0
Mar	111.25	112.15	111.80	111.25
Apr	110.50	111.25	0	0
May	109.85	110.55	109.90	109.90

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	53.25	55.95	55.50	53.15
Dec	56.00	58.55	57.90	55.85
Mar	58.85	61.10	60.50	58.45
May	62.65	65.05	64.10	62.30
Jul	64.90	67.50	67.00	64.90
Sep	67.00	69.25	69.00	67.00
Dec	70.25	72.45	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Sep	21.03	21.22	21.17	20.95
Oct	20.95	21.13	21.10	20.88
Nov	20.90	21.08	21.04	20.85
Dec	20.84	21.03	20.96	20.82
Jan	20.75	20.93	20.86	20.74
Feb	20.65	20.83	20.71	20.71
Mar	20.54	20.72	20.60	20.54
Apr	20.43	20.61	0	0
May	20.32	20.50	0	0
Jun	20.21	20.39	20.27	20.27

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Sep	5822	5872	5870	5795
Oct	5915	5979	5970	5900
Nov	6030	6094	6085	6015
Dec	6134	6205	6180	6120
Jan	6172	6248	6210	6170
Feb	6110	6173	6150	6115
Mar	5920	5978	5960	5925
Apr	5735	5783	5780	5765
May	5592	5633	5630	5620
Jun	5507	5548	5540	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1065	1070	1081	1057
Dec	1126	1130	1140	1118
Mar	1175	1181	1189	1175
May	1207	1213	0	0
Jul	1236	1242	0	0
Sep	1266	1272	0	0
Dec	1301	1307	0	0
Mar	1337	1343	0	0
May	1365	1371	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.56	9.60	9.67	9.51
Mar	9.26	9.23	9.28	9.16
May	9.21	9.17	9.21	9.12
Jul	9.16	9.14	9.16	9.08
Oct	9.08	9.09	9.08	9.08

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	61.86	61.25	62.12	61.75
Dec	59.87	62.00	60.30	59.80
Mar	61.00	62.32	61.30	60.90
May	61.74	62.58	62.00	61.70
Jul	62.27	62.50	62.40	62.30

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	108.30	117.05	116.65	107.70
Nov	108.85	113.85	113.10	108.85
Jan	108.30	113.30	112.50	108.30
Mar	108.45	113.45	113.05	108.45
May	108.80	113.80	113.00	108.00
Jul	108.45	113.45	0	113.00
Sep	108.05	113.05	0	0
Nov	108.05	113.05	108.10	108.10

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug 10	Aug 7	mnth ago	yr ago
1542.0	1543.6	1562.3	1659.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Aug 7	Aug 6	mnth ago	yr ago
Spot	116.91	116.15	118.92	118.17
Futures	117.34	117.38	119.38	121.89

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	543/6	541/4	543/0	539/4
Sep	540/6	536/6	541/2	538/4
Nov	534/6	529/0	535/2	527/4
Jan	541/6	534/4	542/4	535/0
Mar	548/6	541/2	549/4	543/0
May	555/4	546/4	555/6	548/4
Jul	560/4	551/0	560/4	554/4
Aug	560/0	561/0	560/0	558/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	18.08	18.07	18.14	18.00
Sep	18.12	18.09	18.20	18.06
Oct	18.30	18.24	18.36	18.21
Dec	18.58	18.56	18.66	18.52
Jan	18.75	18.71	18.81	18.69
Mar	19.02	19.02	19.14	18.99
May	19.32	19.29	19.43	19.29
Jul	19.65	19.55	19.66	19.53

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	168.5	166.4	168.6	166.4
Sep	169.7	167.7	169.8	167.8
Oct	186.0	184.2	185.5	184.2
Dec	184.7	182.4	184.8	182.3
Jan	184.4	181.9	184.5	0
Mar	183.9	181.8	184.0	182.1
May	183.8	181.7	183.8	182.5
Jul	184.3	182.0	184.5	183.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	213/6	212/2	214/2	211/4
Dec	216/4	214/4	217/4	214/2
Mar	225/6	223/6	226/2	223/0
May	232/2	230/0	232/4	229/4
Jul	236/6	234/4	236/6	234/2
Sep	237/2	236/0	237/2	0
Dec	240/6	240/4	241/2	240/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	306/4	307/6	307/6	305/2
Dec	317/0	317/6	318/0	315/2
Mar	323/6	323/6	324/4	321/4
May	321/4	322/0	323/4	319/0
Jul	305/6	305/2	306/4	302/4
Sep	310/4	308/4	310/4	307/4
Dec	319/4	317/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	75.075	74.800	75.100	74.600
Oct	74.775	74.850	74.875	74.525
Dec	72.975	72.850	73.000	72.750
Feb	72.100	71.875	72.175	71.700
Apr	73.300	72.975	73.300	72.750
Jun	70.200	69.975	70.550	69.950
Aug	68.900	68.550	69.250	68.800

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	43.875	43.925	43.925	43.700
Oct	39.075	38.750	39.150	38.800
Dec	40.075	40.175	40.300	40.175
Feb	39.650	40.175	40.250	39.750
Apr	38.950	39.100	39.125	38.750
Jun	44.225	44.400	44.300	44.300
Aug	43.025	43.100	0	43.025

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	35.050	35.350	35.550	34.550
Feb	40.225	39.825	40.300	39.500
Mar	39.800	39.575	39.900	39.650
May	41.300	40.850	41.300	41.000
Jul	40.250	40.500	0	40.250
Aug	40.200	40.200	0	0

LONDON STOCK EXCHANGE

FT-SE at 18 month low in poor trade

By Terry Byland, UK Stock Market Editor

WEAKNESS in other European markets, triggered by a sharp fall in Japan's Nikkei Average to within a few points of the important 15,000 benchmark, gave a further blow yesterday to UK equities already reeling from recent evidence of recessionary pressures on British companies. The first session of the new equity account saw the FT-SE index shed a further 25 points to trade at levels not seen since the end of the Gulf War, eighteen months ago.

The stock market opened sharply lower and was nearly 30 points off at mid-session. However, turnover remained poor in the London market and nearly one third of the Footsie's loss reflected technical reductions in a handful of blue chip stocks to allow for dividend payments.

At the close, the FT-SE index was 24.4 points down at 2,325.7; the Index closed at 2,322.2 on February 26 1991 when the Gulf War was moving to its end, jumping to 2,348 on the following next day as UK base rates were cut to 13 per cent.

The market's gloom on Friday night, as the Footsie approached the sensitive 2,350 mark, deepened over the weekend on press reports of a highly bearish survey of prospects for the UK housing market from Morgan Grenfell, the merchant bank. The collapse of the domestic housing market, with its implications for the construction and property industries as well as for banks and mortgage companies, is regarded as a significant restraint on recovery in both the UK economy and stock market.

Account Dealing Dates		
*First Dealings:		
Jul 27	Aug 10	Aug 24
Option Declarations:		
Aug 6	Aug 20	Sep 3
Last Dealings:		
Aug 7	Aug 21	Sep 4
Account Day:		
Aug 17	Sep 1	Sep 14

*New time dealings may take place from 8.30 am two business days earlier.

The problem of low consumer confidence found further expression in the June consumer credit statistics, which disclosed a net repayment of £55m debt by UK consumers evidently still nervous of spending in the high street stores.

Bank shares, still perturbed by last week's negative trading statement from Barclays Bank, gave ground again and store shares were mostly easier. But the composite insurers, which announce trading profits this week under the lead of General Accident, managed to put on a brighter face yesterday.

The UK market was not helped by a slow start to the new session on Wall Street, which was 6.48 Dow points off in London hours. However, British Petroleum picked itself up off the floor after the heavy fall which followed the board's decision last week to cut the quarterly dividend.

The institutions showed no inclination to take up new positions as the account got under way. Traders commented that most of the session was featured by a trickle of small selling orders.

Seaq volume of 331m was low, even by recent standards, and compared with 480.3m shares on Friday. Retail, or customer, business increased to just over £1bn on Friday when both institutional and private investors continued to grapple with the implications of the week's flow of alarming company news.

The mood in the market yesterday was one of apathy rather than of alarm. Equity traders believe that, with the FT-SE 2,350 mark now apparently lost, the market is searching for a new support level.

Dividend moves hit index

A clutch of big Footsie stocks were responsible for knocking just over 7 points off the value of the FT-100 index yesterday as they went ex-dividend at the start of the new account.

The companies that had the greatest effect were BAT Industries, which took 1.42 points off the index as it released a dividend of 14.6p, and ICI, which took nearly a point off the index with its dividend of 21p. BAT fell 12½ to 710p xd, ICI lost 4 to 1120p xd and Barclays dropped 11 to 304p ex a 9.15p dividend. National Westminster fell 7 to 305p ex a 6.125p dividend, despite announcing its intention to acquire - subject to Bank of Italy approval - the business of Continental Bank's Milan branch. Volatile Rank Organisation closed a net 15 lower at 550p following a dividend of 10.25p.

However, BP held up relatively well despite the pressure of its recently halved 2.1p per share dividend and the placing of a block of 1m shares at 181p in early trading. The shares closed up 4 at 187½p xd on heavy turnover of 18m, the busiest in the London market yesterday. Reuters also held up with a gain of 8½ to 1027p xd.

Granada lower

Entertainments and leisure group Granada fell sharply after County Nat West turned seller of the stock and predicted the shares would underperform.

The shares slipped 10 to 231p on turnover of 2.7m. County said that in spite of outperforming the market by 79 per cent over the last year, "the prospects of the underlying Granada managed businesses do not deserve the implicit rating on which they currently stand". The securities house added, "there is significant scope for disappointment in the current share price".

Insurers firm

Composite insurance stocks were up on the eve of their interim results reporting season. However, turnover was generally negligible and the gains had very little weight behind them according to insurance sector analysts.

General Accident, which reports today, was the best performer with a rise of 10 to 390p. The group is expected to cut its losses significantly from £101m last year and maintain the dividend. However, analysts said the rise in the share price followed a fall from 492p at the end of June. Commercial Union, which reports on Wednesday, gained 5 to 435p and Royal, which reports on Thursday and is the most heavily exposed to mortgage indemnity, slipped 2 to 165p.

Speculation in the press that conglomerate Hanson has been planning a demerger was denied by the company yesterday and the shares eased a halfpenny to 198p, assisted by the placing of a line of 1.3m shares at 196p. Hanson announces third-quarter figures on Thursday and profits for the period are expected to be down to between £275m and £325m against £379m for the same period last year.

British Airways was sought ahead of today's release of its first-quarter results. The shares gained 7 to 261p on healthy turnover of 6.4m. Lehman Brothers is predicting profits for the period April to June at £85m. Also in demand was BAA, whose shares gained 8 to 625p.

Weekend press suggestions that Sir James McKinnon, the gas industry regulator, might step down prematurely helped British Gas to firm a penny to 227½p. British Gas has been preparing a demand for the system of one-man regulation to be abolished.

There was continued weakness in music and entertainment group Thorn EMI, the subject of several profits downgrades last week. The shares gave up another 16 to 696p, after Strauss Turnbull reiterated its sell recommendation.

The general slide in the stock market and the low levels of activity in recent weeks reflected on the share price of merchant bank S.G. Warburg which fell 19 to 421p. Smith New Court was 3 lighter at 85p.

Nervous trading was seen in the water stocks, ahead of Thursday's publication of a consultative paper on the cost of quality, by the industry regulator. The day's falls included Anglian Water down 6 at 394p, Thames Water 7 lighter at 397p, and Yorkshire Water 5 easier at 423p.

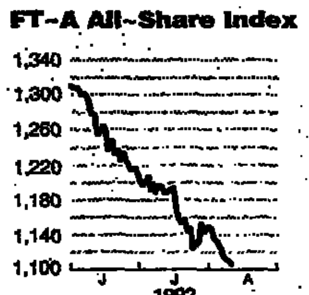
Mobile telecommunications group Vodafone eased only a penny to 326p ahead of Thursday's announcement on a new cellular tariff system. Hoare Govett remained positive on the stock in the short term.

Industrial gases group BOC closed a penny firmer at 597p, helped by its defensive qualities and by the announcement that it had completed the sale of its US-based healthcare business Glasrock for $72m (£37.6m) plus certain liabilities.

Improved turnover for the first six months of this year helped Arjo Wiggins Appleton to hold firm at 215p.

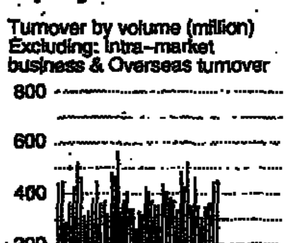
Among food manufacturers, Northern Foods, continued to suffer from Friday's profits downgrading by BZW and also more general worries over the company's potential earnings growth. After a one for one share split took effect, the shares ended 7 down at 253p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Pilkington, one of Europe's biggest glassmakers remained in the doldrums, easing another 2 to 79p. The continued decline of the stock over the last few weeks has placed it at the bottom of the FT-SE 100 in terms of market capitalisation. The company announced yesterday that its US subsidiary had completed a private placement of $300m of long term finance.

The stores sector continued to suffer from worries over the economy, which led to falls in some stocks, although bargain-hunting trimmed losses. Marks & Spencer ended 3 lighter at 300p, as did Boots at 421p. Great Universal Stores, however, fell 41 to 1323p.

Aggregates and quarrying group Evered Bardon rose 3 to 30p after it said it had won contracts worth about $40m (£20.9m) to supply concrete for Boston's Third Harbour Tunnel project. A buy recommendation from Nomura helped Burton Group close steady at 31½p.

Nursing homes group Takare performed well on the back of solid first half results. Profits leapt to £5.63m from £2.99m for the same period last year and the shares gained 5 to 195p.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Christopher Price.

■ Other market statistics, Page 17

FINANCIAL TIMES STOCK INDICES

	Aug 10	Aug 7	Aug 6	Aug 5	Aug 4	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.28	88.28	88.18	88.26	88.36	85.51	89.76 (3/7)	86.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	104.49	105.11	105.10	105.09	105.13	94.45	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share●	1731.8	1753.3	1774.2	1791.5	1804.0	2007.5	2149.7 (22/5)	1731.8 (10/8)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	89.3	88.7	86.6	86.9	86.6	179.3	160.6 (10/1)	83.6 (8/7)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2325.7	2350.1	2377.8	2392.8	2407.5	2569.4	2737.8 (11/5)	2325.7 (10/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1074.19	1088.80	1101.65	1106.98	1107.46	1184.31	1248.79 (11/5)	1074.19 (10/8)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	5.28	5.23	5.18	5.10	5.11	4.72				
●Earning Yld %(full)	7.55	7.47	7.41	7.29	7.31	7.96				
●P/E Ratio(Net)(☆)	16.72	16.90	17.03	17.31	17.25	15.56				
SEAQ Bargns 5.00pm	15,921	19,875	16,824	16,313	17,728	21,951				
Equity Turnover(£m)†	-	1044.9	1041.0	798.1	988.7	562.6				
Equity Bargains†	-	23,495	19,392	19,416	19,753	21,722				
Shares Traded (ml)†	-	450.8	447.5	374.9	388.7	266.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 15.58.

Ordinary Share Index, Hourly changes — Day's High 1739.9 — Day's Low 1727.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1738.1	1736.6	1735.8	1737.7	1731.2	1733.9	1731.4	1728.9	1733.3

FT-SE 100, Hourly changes — Day's High 2334.0 — Day's Low 2318.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2331.0	2328.5	2329.9	2331.6	2321.4	2325.1	2321.9	2318.3	2325.7

FT-SE Eurotrack 200, Hourly changes — Day's High 1081.50 — Day's Low 1072.83

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1079.74	1080.54	1080.06	1076.89	1076.87	1074.60	1073.63

GILT EDGED ACTIVITY

Indices*	Aug 7	Aug 6
Gilt Edged Bargains	74.6	72.4
5-Day average	83.6	88.9

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	65	403	-7	Comm. Union	408	435	+5	Lonrho	1,500	78	-4	Shell Transport	2,500	449	-6
ASDA Group	2,700	23	-2	Cookson	865	131	-5	Lucas	888	105	-1	Siebe	770	584	-14
Abbey National	2,200	258	-5	Courtaulds	951	445	-5	MB Caradon	693	243	-3	Slough Ests	772	106	-1
Albert Fisher	415	37		Dalgety	2,800	408	-3	MEPC	214	224	-3	Smith (W.H.) A	310	385	-1
Allied-Lyons	872	598	-9	De La Rue	148	559	-5	[illegible]	485	322	-1	Smith & Nephew	980	137	
Amstrad	1,700	25		Dixons	817	192		Marks & Spencer	1,800	300	-3	SmKl Beecham	1,500	459	-4
Anglian Water	173	394	-6	Eastern Elect.	1,000	265	+8	Midlands Elect.	1,800	308		SmKl Beecham Uts.	142	413	-2
Argos	824	194	+1	East Midland Elect.	126	276	+1	NFC	1,700	232	-10	Smiths Inds.	110	238	-2
Argyll Group	2,100	330	-5	Eng China Clays	73	448		NatWest Bank	3,800	305	-7	Southern Elect.	1,100	291	-2
Arjo Wiggins	989	215		Enterprise Oil	293	340	+3	National Power	2,700	221	-5	South Wales Elect.	188	333	-3
Ass. Brit. Foods	408	383	-8½	Eurotunnel Units	36	325		Next	903	78¾	-2	South West Water	45	388	-2
Ass. Brit. Ports	333	284	-6	FKI	285	68	-1½	North West Water	337	403	-6	South West. Elect.	341	288	-1
[illegible]															
Brit. Aerospace	208	213	+1	IMI	452	214	+1	Rolls Royce	2,100	138	-3	Utd. Newspapers	401	376	-5
British Airways	6,400	261	+7	ICI	553	1120	-4	Rothmans	31	1030	-8	Vodafone	1,000	326	-1
British Gas	3,100	227½	+1	Inchcape	635	394	-10	Ryl Bk Scotland	930	146	-3	Warburg (SG)	301	421	-19
British Land	208	153	-2	Kingfisher	789	427		Royal Insurance	608	165	-2	Wellcome	10,000	800½	
British Steel	2,600	56½	-½	Kwik Save	280	660	+6	[illegible]	180	131		Welsh Water	898	423	-4
Bunzl	381	98	+2	Ladbroke	1,100	156	-4	Sainsbury	1,900	443	-2	Wessex Water	206	461	-2
Burmah Castrol	50	623		Land Securities	379	383	-2	Scottish & New.	190	434	-3	Whitbread 'A'	570	407	+3
Burton	4,200	31½		Laporte	434	502	-3	Scot. Hydro-Elect.	524	187½	-2½	Williams Hldgs.	1,200	284	
Cable & Wire.	582	613	-5	Legal & General	665	306	-7	Scottish Power	1,200	180	-1	Willis Corroon	917	196	-4
Cadbury Schweppes	1,400	488	-6	Lloyds Abbey	498	324	-11½	Sears	1,700	70	-1	Wimpey	709	98	
Calor Group	250	171	-1	Lloyds Bank	2,200	387	-1	Sedgwick	117	189	-6	Wolseley	782	322	+4
Carlton Comms.	144	532	-3	LASMO	987	134	+2	Seaboard	127	301	+4	Yorkshire Elect.	634	333	
Coats Viyella	208	171	-3	London Elect.	2,200	285	+1	Severn Trent Water	295	378	-3	Yorkshire Water	4	423	-5

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

THE DERIVATIVES markets had a dull trading session, with prices drifting lower as traders backed away in the face of Tokyo's poor performance and the setback across the range of markets in Europe, writes Terry Byland.

The September contract on the FT-SE index had a poor day, trading for most of the session below its fair value premium – the figure which allows for financing costs and dividend flows on the underlying stocks.

The contract opened some 18 points down on Friday's close and, after briefly trimming the loss, fell away smartly. At the day's low, September traded at around 2,321 and a rally to the 2,335 area was thwarted when New York opened uncertainly. Traders reported some arbitrage selling throughout the day, with one large US firm buying and a London firm selling. At the official close, the contract stood at 2,329, but it came under further pressure in after-hours dealing.

In traded options, the FT-SE and Euro FT-SE contracts were the most active as dealers arbitraged between falling stock prices across Europe. The most active stock option was British Gas, with a mere 689 contracts. Total trading volume increased to 26,974 contracts from Friday's 20,619.

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Aug 10 1992 Index No	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Fri Aug 7 Index No.	Thu Aug 6 Index No.	Wed Aug 5 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (175)	705.43	-1.1	8.36	6.36	15.31	21.23	713.04	722.12	726.45	825.75
2 Building Materials (23)	713.41	-1.5	7.64	7.84	17.79	26.43	724.12	740.88	743.35	1046.32
3 Contracting, Construction (27)	555.74	-3.1	6.30	10.78	34.56	25.20	573.29	587.68	593.62	1130.50
4 Electricals (9)	2042.08	-3.6	8.44	7.36	15.35	72.04	2119.11	2151.85	2178.59	2423.42
5 Electronics (27)	1864.56	-0.6	8.64	4.64	14.43	45.74	1876.76	1890.47	1907.45	1710.85
6 Engineering-Aerospace (6)	301.30	-1.1	12.09	8.65	10.47	11.27	304.61	307.83	309.20	413.02
7 Engineering-General (43)	423.00	-1.3	9.62	5.70	13.00	12.47	428.38	436.82	438.99	453.90
8 Metals and Metal Forming (7)	275.98	-0.6	6.06	7.98	24.19	7.18	277.69	280.18	280.61	436.20
9 Motors (14)	307.38	-0.9	8.74	7.67	15.07	12.25	310.13	311.95	316.65	331.60
10 Other Industrial Materials (19)	1563.14	-0.6	7.93	5.31	15.19	38.28	1572.28	1584.72	1591.06	1586.45
21 CONSUMER GROUP (191)	1494.93	-0.9	8.18	3.84	15.01	27.61	1509.22	1523.24	1531.36	1509.54
22 Brewers and Distillers (25)	1926.64	-0.5	8.63	3.80	13.97	37.45	1936.55	1951.13	1965.67	1857.06
25 Food Manufacturing (19)	1158.36	-1.1	9.32	4.56	13.28	26.01	1170.84	1174.05	1180.56	1196.03
26 Food Retailing (18)	2639.40	-1.3	9.24	3.46	14.11	44.92	2674.92	2726.31	2741.15	2639.17
27 Health and Household (24)	3737.79	-0.7	7.42	2.86	15.36	42.42	3765.49	3794.44	3788.78	3567.47
29 Hotels and Leisure (18)	1032.17	-2.6	7.77	6.63	16.73	36.54	1059.32	1059.85	1089.80	1313.37
30 Media (27)	1413.47	-0.7	7.17	3.72	17.36	29.47	1423.72	1429.97	1444.76	1431.27
31 Packaging, Paper & Printing (17)	714.54	-0.2	7.21	4.62	16.80	15.69	715.91	716.26	721.11	741.71
34 Stores (34)	925.00	-1.2	8.14	4.04	16.22	16.98	935.80	954.97	957.29	975.47
35 Textiles (9)	594.95	-1.2	8.16	5.21	15.28	15.02	602.06	609.43	610.87	589.63
40 OTHER GROUPS (117)	1170.90	-1.1	10.62	5.65	11.72	35.65	1184.50	1193.15	1197.56	1259.57
41 Business Services (17)	1203.81	-0.9	6.98	4.29	17.49	21.09	1214.72	1228.62	1227.84	1335.36
42 Chemicals (22)	1301.70	-1.4	7.50	5.59	16.57	45.57	1320.08	1323.25	1323.80	1435.78
43 Conglomerates (10)	1173.87	-0.6	10.64	7.99	11.77	24.98	1180.77	1193.96	1213.28	1472.97
44 Transport (14)	2189.78	-0.8	9.02	5.39	13.67	55.92	2207.10	2234.38	2245.42	2282.45
45 Electricity (16)	1264.91	-1.1	15.68	5.80	8.08	44.58	1278.78	1278.12	1283.70	1196.20
46 Telephone Networks (4)	1351.45	-0.5	11.19	4.89	11.65	46.15	1358.59	1369.96	1371.80	1510.96
47 Water (12)	2663.89	-1.1	16.82	6.50	6.58	86.85	2694.57	2736.45	2710.46	2378.56
48 Miscellaneous (23)	1878.99	-2.9	7.06	5.39	17.77	54.03	1934.34	1944.20	1961.45	1987.18
49 INDUSTRIAL GROUP (483)	1193.45	-1.0	9.00	4.86	13.81	29.03	1205.90	1217.05	1223.03	1263.16
51 Oil & Gas (17)	1756.73	......	8.77	6.94	14.92	68.79	1756.72	1803.19	1836.05	2422.79
59 500 SHARE INDEX (500)	1249.28	-0.9	8.97	5.06	13.91	32.22	1261.05	1274.79	1282.72	1362.05
61 FINANCIAL GROUP (84)	654.61	-2.0	-	6.91	-	25.18	668.22	677.41	682.28	812.84
62 Banks (9)	879.59	-3.0	7.29	6.26	19.78	36.70	906.46	915.76	914.59	934.37
65 Insurance (Life) (6)	1352.92	-1.2	-	6.58	-	44.26	1368.73	1385.56	1410.47	1568.59
66 Insurance (Composite) (7)	436.56	+0.8	-	7.97	-	13.46	433.03	443.59	453.05	671.88
67 Insurance (Brokers) (10)	712.88	-2.4	10.87	9.11	12.10	31.02	730.36	749.03	757.53	1161.36
68 Merchant Banks (7)	407.84	-2.7	-	5.30	-	12.37	419.29	425.26	427.03	441.90
69 Property (30)	503.34	-1.1	11.94	9.07	11.24	20.85	508.93	518.94	530.95	907.71
70 Other Financial (15)	224.42	-2.1	8.19	7.71	16.52	6.63	229.34	230.96	232.36	251.29
71 Investment Trusts (70)	1058.03	-1.3	-	4.24	-	22.04	1071.83	1078.91	1085.33	1212.38
99 ALL-SHARE INDEX (654)	1107.15	-1.1	-	5.27	-	30.07	1119.23	1131.71	1138.88	1228.59

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	Year ago
FT-SE 100 SHARE INDEX♦	2325.7	-24.4	2334.0	2318.0	2350.1	2377.6	2392.8	2407.5	2420.2	2569.4

FIXED INTEREST

PRICE INDICES	Mon Aug 10	Day's change %	Fri Aug 7	Accrued interest	xd adj. 1992 to date	AVERAGE GROSS REDEMPTION YIELDS		Mon Aug 10	Fri Aug 7	Year ago (approx.)
[illegible]										

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (4).
AMERICANS (1) Allegheny & Western, ELECTRONICS (2) Learmonth & Burchett, MMT. PACKG. PAPER & PRINTG (1) Filofax.
NEW LOWS (316).
AMERICANS (1) IBM, BANKS (4) Abbey Natl., Banco de Santander, Stand Chartd., Westpac, BREWERS (1) Merrydown, BLDG MATLS (26) Beggeridge Brick, Blue Circle, Do 7½pc Pf, Br. Fittings, Epwin, Explaura, Gibbs Dandy, Heywood Wlms. Do Pf, [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS - Cont.

[illegible]

BRITISH FUNDS - Cont.

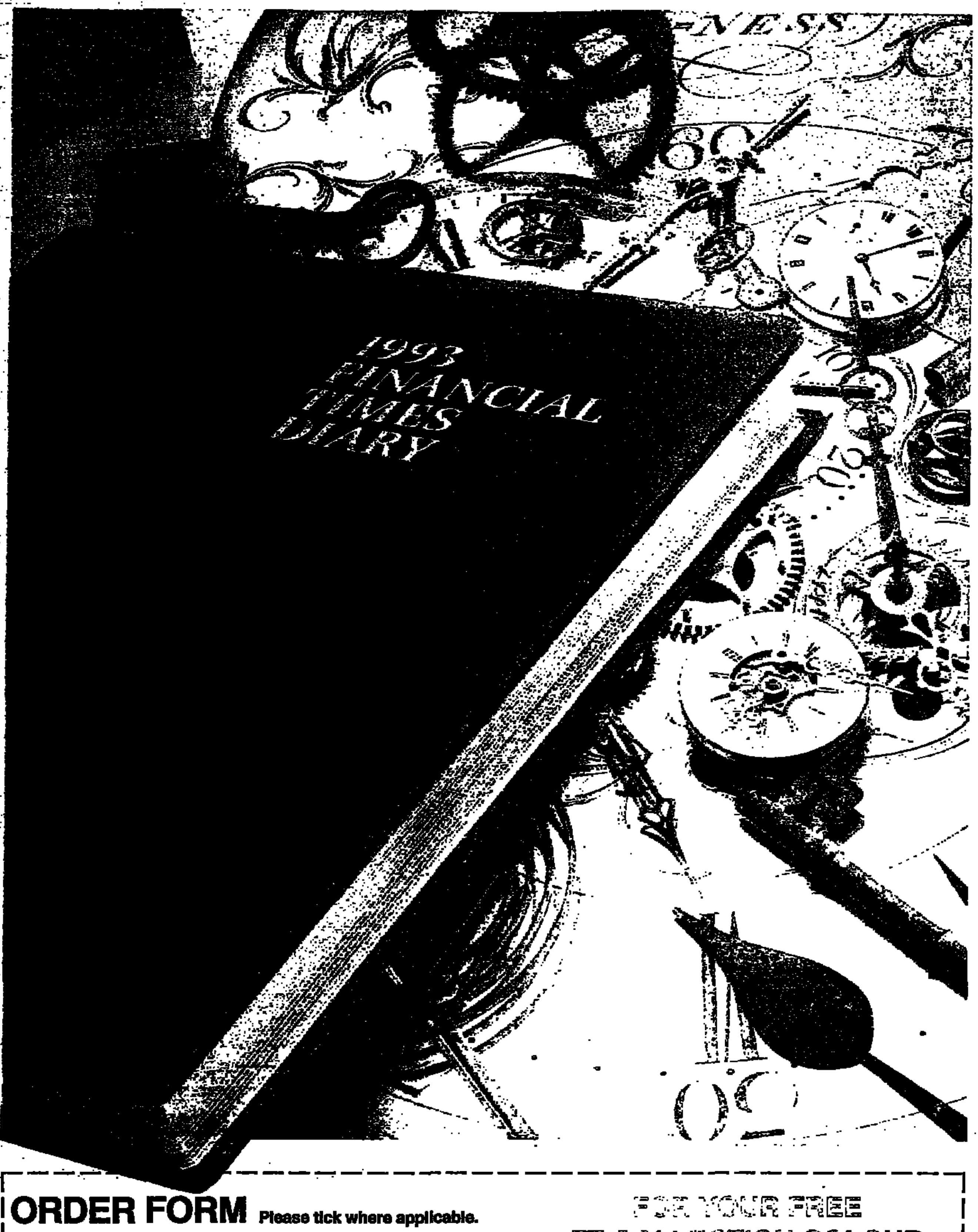
[illegible]

OTHER FIXED INTEREST

[illegible]

GILT-EDGED GIFTS FROM THE FINANCIAL TIMES

THE FT DESK DIARY WITH OVER 100 PAGES OF METICULOUSLY RESEARCHED INFORMATION PRESENTED IN A CHOICE OF THREE SUPERB FINISHES MUST BE YOUR CHOICE FOR 1993.



AN INDISPENSABLE BUSINESS TOOL

The **FT Desk Diary** is an invaluable aid to good management. Not only does it make day-to-day planning simpler and more efficient, it's also indispensable as a permanent ready-reference source. In fact, it's like having an international business database on hand whenever you need it.

All information has been meticulously researched with everything easy to find and clearly laid out – just as you would expect from Europe's leading business newspaper, the Financial Times. After all, our reputation has been founded on interpreting the needs of business people everywhere.

Whether you need important statistical information, business vocabulary in four languages or details of which airlines fly to which city, the FT Desk Diary will tell you. Plan your trip to the smallest detail with the help of the diary's useful information.

THE CONTENTS THAT MAKE IT MORE THAN A DIARY

Business Directory. Contains a Stock Market and financial glossary. Lists the top 100 international banks, compiterised databases, world stock markets, and other major international organisations.

Business Travel. Has 26 pages of country surveys covering airports, car hire, hotels, visa and currency regulations, business hours and useful addresses. Also, a business vocabulary in four languages, world time differences, maps of the world's major business centres and climatic conditions in 78 international cities.

Diary Section. Runs from 26th November 1992 – 30th January 1994 and shows a week to view, international public holidays, number of days passed and left in the year together with tax and calendar week numbers. Plus four months of the 1993 calendar on each page.

Statistics and Analysis. Graphs showing the FT Ordinary Share Index, FT Actuaries British Government All-Stocks Index, FT-SE 100 Index, Dow Jones Industrial Average, the Standard and Poors 500 Composite Index and the Nikkei Average Index.

World Atlas. Updated 48-page full colour World Atlas.

Detachable **Address/Telephone Directory** with international dialling codes.

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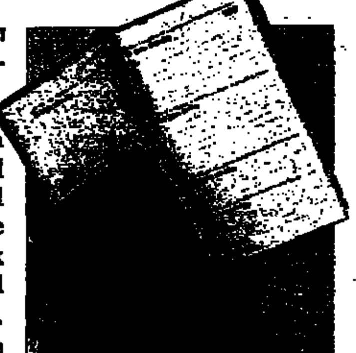
THE FT PINK DESK DIARY

Produced in response to the demand for a smaller, more portable FT diary, the **FT Pink Desk Diary** with its FT-pink pages is quite unique. Its distinctive size and shape make it equally at home on a desk or in a briefcase. Although compact, it contains a wealth of business information, and its innovative page a day layout allows ample space for each day's notes and business expenses. It is covered in black *bonded leather.

THE FT POCKET DIARY

The **FT Pocket Diary** has a week to view diary section and contains 34 pages of business and travel information. It has white pages and is available in black leather, burgundy *bonded leather and black leathercloth. It comes with a detachable Personal Telephone Directory which tucks inside the back cover of the diary.



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Pocket Diary, black leather	PL		14.50		12.55		12.85	
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Pocket Diary, black leathercloth	PC		12.09		10.55		10.85	
FT Pink Pocket Diary	PP		14.00		12.40		12.85	
Slimline Pocket Diary	SP		12.15		10.60		10.90	
Wallet Diary	WD		23.00		20.05		20.60	
Personal Organiser	POL		51.59		46.10		47.90	
PERSONALISATION								
Initials only (up to 4 characters)	I		2.47		2.10		2.10	
Initials and Surname (up to 20 characters)	IS/N		4.41		3.75		3.75	
							TOTAL	

All prices shown are inclusive of postage and packing.
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*The term "bonded" refers to bonded leather fibre.
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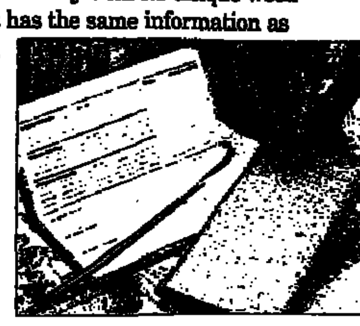
FT Business Enterprises Ltd., Registered Office, Number One Southwark Bridge, London SE1 9HL. Registered No. 980896.

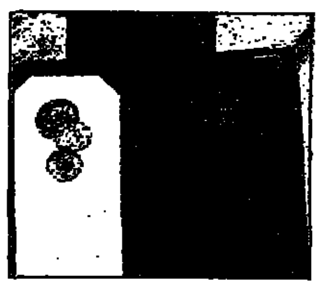
THE FT PINK POCKET DIARY

The **FT Pink Pocket Diary** with its unique week to view landscape format has the same information as the FT Pocket Diary and is hugely popular. It has FT-pink pages and is covered in black *bonded leather.



This year it comes with a detachable Personal Telephone Directory which tucks inside the back cover of the diary.

THE FT WALLET DIARY

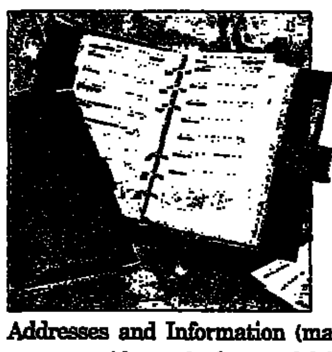


The **FT Wallet Diary** features the FT Pocket Diary bound into a black leather wallet with gilt corners. Its discreet good looks are further enchanced by a black moiré silk lining and a handy notepad. There's more than adequate space for receipts and bank notes of all denominations.

THE FT SLIMLINE POCKET DIARY

The **FT Slimline Pocket Diary** slips easily into your pocket. It has a fortnight to view format and is bound in black *bonded leather with FT-pink paper and matching ribbon. The overseas and UK information guides, London Underground, city and west end maps, make it ideal for the executive on the move.

THE FT PERSONAL ORGANISER



Beautifully produced with a black leather cover, the **FT Personal Organiser** has 25 mm gilt rings and ample pocket space for papers, bank notes, and credit and business cards. There are FT-pink card dividers which indicate the five fully comprehensive paper sections, including a fortnight to view Diary, Notes, Expenses, Addresses and Information (maps, UK and overseas business centres guides and other useful facts.) Refill packs are available.

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What we've shown here is but a small sample of the wide range in the FT Collection, so why not send for the FT Collection colour catalogue and see for yourself? It is packed with many invaluable business essentials from diaries to document cases. Contact us now on 071-799 2002, or write to FT Collection, FT Business Information, 50-64 Broadway, London SW1H 0DB., or send your business card.

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LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs h	15¾xd	−⅛	19⅛	14⅞	13,469	2.0
♥Allegheny & W.	330p	+12	330p	228p	175.8	4.6
Amdahl	721p	+6	1158p	708p	867.8	0.7
Amer Cyanamid	33⅛	—	37	28⅝	2,936	2.7
Amer Express	11½xd	−⅛	13⅞	10[illegible]	5,462	4.6
Amer T & T	22⅝xd	−¼	24⅞	20⅛	30,689	3.1
Ameritech	35⅞	−⅛	38[illegible]	32½	15,707	5.1
BankAmerica	23⅝xd	−⅞	27⅛	19[illegible]	8,183	2.9
Bankers NY	32½xd	—	37¼	28⅞	2,683	4.1
Bell Atlantic	24⅝	−¼	26¾	23⅛	10,600	5.5
BellSouth	27⅛	−⅛	29⅛	25	13,383	5.3
♥Bethlehem Steel	7xd	—	9⅝	6⅞	565.6	—
Bowater	1036pxd	—	1570p	1016p	374.3	6.1
CPC h	23xd	—	25¾	22⅛	3,786	2.5
♥Cadiz Land Inc.	143p	—	342p	142p	—	—
California Engy	620p	—	830p	599p	114.6	—
Campbell Soup	19⅝xd	+⅛	23[illegible]	17⅞	4,629	2.1
Chase Manhattan	12½xd	−⅛	16½	9⅛	1,767	5.0
Chrysler	10⅛xd	−⅛	11½	6⅛	3,149	2.9
Citicorp	10[illegible]xd	−[illegible]	11⅛	5⅞	3,673	—
Colgate-Palm	27½xd	+⅛	29[illegible]	25⅛	4,376	2.4
Cont'l Bank	629p	−10	1035p	499p	930.6	3.4
Dana	20⅞xd	−⅛	24½	14[illegible]	944.7	4.0
Data General	446p	—	1064p	386p	121.4	—
♥Decora Inds	121p	—	122p	66p	—	—
Dun & Brad	30⅛	−⅛	33½	27⅝	6,375	4.0
Eaton	40½	−⅛	46½	32½	1,362	2.8
Echlin	10xd	−⅛	11	7⅛	664.1	3.7
FPL	19⅝xd	−⅛	21	18⅛	3,561	6.5
Fluor	19[illegible]	−[illegible]	27	19⅛	1,617	1.1
Ford Motor	21⅛xd	−[illegible]	25⅛	15	10,256	2.5
Gen Elect	38⅛xd	−¼	46¾	38[illegible]	33,916	3.1
♥General Host	401p	+5	556p	380p	—	3.9

CANADIANS

BANKS

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BUILDING MATERIALS - Cont.

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CHEMICALS

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CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

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INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

MEDIA - Cont.

	Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
VTR		[illegible]	—	[illegible]	48	4.89	8.1	14.3
WPP		37	−2	115	31	87.4	—	—
Warrants		3	—	6½	1½	[illegible]	—	—
Wolverhampton		408	−6	[illegible]	391	142.8	3.2	21.5
Yorkshire TV		[illegible]	−3½	191½	149½	86.1	9.7	5.9

MERCHANT BANKS

	Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
Ansbacher (H)		27	−1	34	25	59.4	—	—
Baring 9pc Cm 2nd Pf		99	—	109	83½	12.4	10.6	—
9¾pc Non-Cum Pf		120	—	125	103¼	48.8	10.8	—
Brown Shipley		60	−1	204	53	8.45	—	—
Close Bros		210	—	287	210	88.7	5.5	9.4
Hambros		217	−7	292	215	376.4	8.5	7.9
7½pc Cv Pf		105	—	110	93	157.5	9.9	—
Joseph (L)		310xd	+1	333	313	18.7	6.6	—
Kleinwort Benson		224xd	−4½	324	212	282.1	9.5	19.6
Rea Bros		26	—	37	25	18.2	2.8	—
Schroders		1230	−6	1365	1043	612.8	2.0	14.2
N/V		1023	−5	1150	893	104.3	2.3	11.9
Singer & Fried		36½	−½	50	35½	66.5	9.4	7.8
Warburg (SG)		421	−19	605	421	875.7	5.7	8.4
[illegible]		140	−6	204	140	68.0	5.4	—
Wintrust		215	−2	253	213	18.5	5.9	8.2

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	Wk% change	Div gross	Dividends paid	Last xd	City line
Abbott Labs	h	18xd	2.4	60c	FeMyAuNv	10.7	1503
♥Allegheny & W.		320p	—	36c	—	—	—
Amdahl		718p	-1.6	10c	NvMrJeAu	31.1	—
Amer Cyanamid		$2⅛	—	$1.[illegible]	MrJeSeDe	4.3	—
Amer Express		11⅝xd	-2.6	$1.[illegible]	FeMyAuNv	28.8	1594
Amer T & T		22⅞xd	0.3	$1.32	FeMyAuNv	27.3	1597
Ameritech		38⅛	—	$3.[illegible]	FeMyAuNv	28.3	—
BankAmerica		23⅞xd	2.0	$1.20	FeJeAuDe	19.5	1744
Bankers NY		32½xd	2.0	$2.[illegible]	ApJyOcJa	27.12	1745
Bell Atlantic		24⅞	1.0	$2.[illegible]	FeMyAuNv	4.7	—
BellSouth		27⅝	0.5	$2.76	FeMyAuNv	6.4	—
♥Bethlehem Steel		7xd	-8.9	—	MrJeSeDe	8.2	1821
Bowater		[illegible]xd	-2.4	$1.[illegible]	OcJaApJy	9.3	1884
CPC	h	25xd	-5	$1.20	JaApJyOc	26.6	2263
♥Cadiz Land Inc		142p	—	—	—	—	—
California Engy		[illegible]p	0.3	—	—	—	—
Campbell Soup		19⅞xd	-3	78c	OcJaApAu	2.7	2050
Chase Manhattan		12⅞xd	-2.4	$1.[illegible]	FeMyAuNv	24.7	2109
Chrysler		11⅛xd	-1.1	60c	ApJyOcDe	17.6	2135
Citicorp		10⅝xd	1.2	—	—	23.10	2141
Colgate-Palm		27¼xd	—	$1.24	FeMyAuNv	22.7	2184
Cont'l Bank		[illegible]p	2.8	60c	DeMrJeSe	31.5	—
Dana		21xd	-9	$1.[illegible]	MrJeSeDe	28.5	2306
Data General		440p	-7.6	—	—	—	—
♥Decora Inds		121p	—	—	—	—	—
Dun & Brad		30½	0.4	$2.[illegible]	MrJeSeDe	13.2	—
Exxon		41⅛	0.2	$2.[illegible]	FeMyAuNv	2.2	2410
Echlin		16⅓xd	2.5	76c	JaApJyOc	30.6	3040
FPL		19¼xd	1.0	$2.44	MrJeSeDe	28.6	—
Fluor		20⅝	-1.5	40c	JaApJyOc	16.6	2609
Ford Motor		21⅞xd	-9.0	$1.[illegible]	MrJeSeDe	28.7	2615
Gen Elect		39½xd	-9	$2.30	JaApJyOc	8.6	2673

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

FT MANAGED FUNDS SERVICE

● Current Unit Trust [illegible] available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Stewart Ivory Unit Tst Mgrs Ltd (1200)H

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.

Allied Dunbar Assurance Plc

Century Life Plc—Contd.

Equitable Life Assurance Society

Henderson Administration(z)

Life Association of Scotland

NEL Britannia Assce Co Ltd—Contd.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood Peterborough PE2 6FY 0733 470470				
Property Dist. (Gross)	135.8	143.0	+0.1	-
Property Acc (Gross)	258.8	272.4	+0.1	-
Equity (Gross)	801.4	843.5	-11.4	-
Managed (Gross)	573.8	604.0	-6.2	-
Property Acc (Net)	123.7	130.2	+0.1	-
Equity (Net)	187.4	197.3	-2.4	-
Ambitious Managed	88.1	92.8	-0.6	-
Managed (Net)	177.5	186.8	-1.7	-
Cautious Managed	95.9	101.0	+0.1	-
International (Net)	150.7	158.6	-1.8	-
Gilt & Fixed Interest	141.3	148.8	+0.2	-
Money Fund	140.9	148.3	+0.1	-
Mixed Fund (Cap)	111.5	117.4	-0.8	-
Mixed Fund (Acc)	116.2	122.4	-0.6	-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	618.3	650.9	-6.8	-
Ret Man (Series 2)	209.7	220.8	-3.0	-
Ret Cash	199.2	209.7	+0.2	-
Pens Mixed Fd (Cap)	123.0	129.5	-0.8	-
Pens Mixed Fd (Acc)	128.1	134.9	-0.7	-
Pens Stlg Fd (Cap)	104.2	109.7	+0.1	-
Pens Stlg Fd (Acc)	108.6	114.4	+0.2	-

For Pioneer Mutual see Swiss Pioneer

	Bid Price	Offer Price	+ or -	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road Haywards Heath 0444 458721				
American	123.0	130.0	-	-
Building Soc. Fd	224.0	236.0		-
Balanced	253.0	267.0	-1.0	-
European	200.0	211.0	-2.0	-
GT Managed	175.0	185.0	-1.0	-
Gartmore Mngd	117.0	124.0	-1.0	-
German	126.0	133.0	-1.0	-
Gilt	168.0	177.0		-
Global	36.0	38.0		-
International Equity	182.0	192.0	-1.0	-
Japan	134.0	142.0	-3.0	-
Leisure	48.0	51.0		-
Managed	40.0	43.0		-
Property	300.0	316.0		-
UK Equity	230.0	243.0	-3.0	-
Pension Funds				
American	237.0	250.0	-1.0	-
Building Soc. Fd	241.0	254.0		-
Balanced	212.0	224.0	-1.0	-
European	220.0	232.0	-2.0	-
German	125.0	132.0	-1.0	-

	Bid Price	Offer Price	+ or -	Yield Gross
Provident Mutual Life Assc. Assn.—Contd.				
Pension Funds				
Managed Ord	434.0	456.8	-4	-
Managed Init.	315.5	332.1	-3.1	-
Equity Ord	652.3	686.6	-7.8	-
Equity Init.	474.2	499.2	-5.7	-
Pen Ind Lkd Gilt Ord	184.9	194.6	+0.1	-
Pen Ind Lkd Gilt Init.	140.4	147.8		-
Overseas Equity Ord	275.2	289.7	-5.5	-
Overseas Equity Init.	200.1	210.6	-4	-
Property Ord	281.1	295.9	+0.1	-
Property Init.	204.4	215.2	+0.1	-
Fixed Interest Ord	291.6	306.9	+0.2	-
Fixed Interest Init.	212.0	223.2	+0.1	-
Deposit Ord	271.5	285.8	+0.2	-
Deposit Init.	197.4	207.8	+0.1	-
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prufund				
Managed Aug 5	246.2	256.5		-
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3281				
Prudential Managed Funds				
Discretionary Aug 5	£176.64	182.30		-
Equity Aug 5	£201.72	208.63		-
International Aug 5	£25.15	25.84		-
Intl Bond Aug 5	£14.18	14.37		-
Fixed Int Aug 5	£105.13	106.33		-
Index Linked Aug 5	£75.13	76.09		-
Property Aug 5	£110.04	116.10		-
Cash Aug 5	£1.1012	1.1012		-
Pre-Linked Retirement Plan				
Managed Aug 4	425.9	443.7		-
Cash Aug 4	285.4	297.3		-
Prudential Pensions Investment Account				
Pens Mngd Aug 7	168.3	181.0		-
Pens UK Eq Aug 7	293.1	316.0		-
Pens Intl Aug 7	184.5	197.8		-
Pens Global Eqty Aug 7	93.1	98.0		-
Pens Fixed Aug 7	239.2	252.5		-
Pens Index Lk Aug 7	191.2	201.9		-
Pens Property Aug 7	89.9	94.7		-
Pens Cash Aug 7	186.2	196.2		-
Money Purchase Plan				
Discretionary Aug 7	93.8	100.6		-
Equity Aug 7	97.0	104.3		-
International Aug 7	80.8	86.3		-
Global Equity Aug 7	92.0	98.7		-
Intl Bond Aug 7	96.2	101.2		-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

هذا من الأصل

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GUERNSEY (REGULATED)

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Midland Internatnl Circuit Fund SICAV(u)

Eurecu Management S.A.

Europe Plus Investissement (SICAV) (u)

Europe Value Fund (u)

EurOptec (u)

Fidelity Intl Inv Mngt (Luxembourg) SA

Aetna Malaysian Growth Fd (Cayman) Ltd

Alliance Capital

Global Asset Management – Contd.

Odey Asset Management Limited

Old Ironsides International Ltd

Omega Overseas Partners Ltd

Optima Fund Management

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar below intervention level

THE DOLLAR drifted down towards its previous close of DM1.4640 against the D-Mark in European trading yesterday, underlining the impression that the Federal Reserve's intervention on behalf of the US currency last Friday was a failure, *writes James Blitz.*

In late US trading on Friday, the Fed intervened in the market five times, buying dollars between the DM1.4675 and DM1.4730 levels. But the US currency yesterday traded in a tight range that was below the intervention level, between DM1.4655 and 1.4705. In Europe, it closed up against the D-Mark at DM1.4670 compared to a previous close of DM1.4645.

Dealers are worried by the prospect of further intervention and are wary of pushing the dollar back to DM1.46. But Friday's Fed intervention has also been deemed a failure. According to Mr Avinash Persaud, a currency economist at UBS Phillips and Drew in London, the Fed should have stayed its hand until tomorrow, in the hope that the Bundesbank will add liquidity to the German money market. A softening of short term rates in Germany, which are hovering around the Lombard rate level of 9.75 per cent, would help the dollar to rally this week.

Otherwise, dealers continue to be impressed by the rate of return on the D-Mark. Yesterday, the D-Mark/yen cross was the most lucrative trade, after the Nikkei Index in Tokyo fell temporarily below the 15,000 figure. The drop in Japanese equities has revived fears of a cut in the Bank of Japan's Official Discount Rate, widening the interset rate differential with the D-Mark. The yen closed at Y87.27, from a previous finish of Y86.21.

Sterling closed the day a ¼ pfennig up against the D-Mark at DM2.8275. But its underlying tone remains weak. The pound is more firmly entrenched than ever at the bottom of the European Monetary System grid, with a 3.15 percentage point differential separating it from the Italian lira, the next weakest currency.

The Italian lira was again softer against the D-Mark, closing at L756.6 from a previous close of L756.0. This new slippage has led some to believe that the Bank of Italy was too hasty when it cut its discount rate last week by 0.5 percentage points. But the Bank dealt again at a "repo" rate of 14.21 per cent in its money market operations, in what may have been an attempt to stall the trend in falling rates.

Norway's Central Bank said it had not bought Norwegian crowns in the spot market, after agency reports that it was trying to support its weakening currency. Instead, the Bank said that it was carrying out ordinary swap transactions to withdraw liquidity from the market and help lift short-term interest rates.

£ IN NEW YORK

Aug 10	Close	Previous Close
£ Spot	1.9310-1.9320	1.9290-1.9300
1 month	1.16-1.14pm	1.11-1.05pm
3 months	3.25-3.22pm	3.30-3.27pm
12 months	11.7-11.6pm	11.7-11.6pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 10	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.162	−2.60	6.15	44
Portuguese Escudo	178.735	174.101	−2.59	6.15	42
Belgian Franc	42.4032	41.9851	−0.99	4.42	32
D-Mark	2.05586	2.03851	−0.84	4.28	33
Dutch Guilder	2.31643	2.29841	−0.78	4.21	22
Irish Punt	0.767417	0.766584	−0.11	3.51	−10
French Franc	6.89509	6.89426	−0.01	3.41	−17
Danish Krone	7.84195	7.85309	0.14	3.25	−22
Italian Lira	1538.24	1542.87	0.30	3.09	−31
Sterling	0.696904	0.720566	3.40	0.00	−67

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

STERLING INDEX

CURRENCY MOVEMENTS

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY RATES

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

	£	$
Malaysia	4.8045 - 4.8170	2.4995 - 2.5005
Mexico	5772.00 - 5784.65	3100.50 - 3101.50
N.Zealand	3.5390 - 3.5430	1.8395 - 1.8415
Saudi Ar	7.1695 - 7.2465	3.7495 - 3.7505
Singapore	3.0935 - 3.1005	1.6090 - 1.6100
S.Af (Cm)	5.3140 - 5.3265	2.7645 - 2.7660
S.Af (Fn)	7.0215 - 7.0600	3.6495 - 3.6695
Taiwan	48.20 - 48.40	25.05 - 25.15
U.A.E.	7.0200 - 7.0975	3.6715 - 3.6735

*Floating rate. Iran Official rate:£121.00 $63.40

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr per 100: Peseta per 100

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

US TREASURY BONDS 8% *
$100,000 32nds of 100%

	Close	High	Low	Prev.
Sep	106-09	106-12	106-03	105-16
Dec	105-03			104-11

Estimated volume 749 (1234)
Previous day's open int. 2616 (2810)

6% NOTIONAL GERMAN GOVT. BOND *
DM250,000 100ths of 100%

	Close	High	Low	Prev
Sep	87.25	87.38	87.23	87.31
Dec	87.72	87.78	87.70	87.78

Estimated volume 18079 (38880)
Previous day's open int. 112143 (112900)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Sep	104.68	104.69	104.60
Dec	104.18	104.20	104.17

Estimated volume 762 (1581)
Traded exclusively on APT

9% NOTIONAL ECU BOND
ECU 200,000 100ths of 100%

	Close	High	Low	Prev.
Sep	97.38			97.60
N				
A				

Estimated volume 0 (0)
Previous day's open int. 0 (0)

12% NOTIONAL ITALIAN GOVT. BOND (BTP) *
LIRA 200m 100ths of 100%

	Close	High	Low	Prev
Sep	94.50	94.69	94.45	94.63
Dec	94.90	95.05	94.99	95.08

Estimated volume 5808 (14810)
Previous day's open int. 35347 (34557)

THREE MONTH STERLING *
£500,000 points of 100%

	Close	High	Low	Prev.
Sep	89.71	89.72	89.63	89.64
Dec	89.80	89.81	89.73	89.74
Mar	90.13	90.13	90.07	90.10
Jun	90.40	90.40	90.37	90.39

CHICAGO

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Sep	96.90	96.93	96.89	96.90
Dec	96.78	96.79	96.76	96.74
Mar	96.71	96.72	96.68	96.65
Jun	96.43	96.48	96.46	96.39

BRITISH POUND (IMM)
$s per £

	Close	High	Low	Prev
Sep	1.9192	1.9204	1.9102	1.9198
Dec	1.8872	1.6890	1.8796	1.8868
Mar	1.8576	1.8590	1.8480	1.8572

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Sep	0.7576	0.7581	0.7543	0.7582
Dec	0.7484	0.7490	0.7453	0.7489
Mar	0.7401	-	0.7385	0.7406

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Close	High	Low	Prev.
Sep	0.6789	0.6775	0.6750	0.6779
Dec	0.6683	0.6659	0.6651	0.6673
Mar	0.6566	-	-	0.6576
Jun	0.6498	-	-	0.6488

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Sep	96.61	96.65	96.62	96.60
Dec	96.36	96.36	96.33	96.31
Mar	96.32	96.34	96.27	96.25
Jun	96.02	96.04	95.97	95.94
Sep	95.55	95.64	95.57	95.54
Dec	95.07	95.09	95.00	94.97
Mar	94.98	94.95	94.80	94.77
Jun	94.50	94.52	94.42	94.39

STANDARD & POORS 500 INDEX
$500 times index

	Close	High	Low	Prev
Sep	419.95	420.05	416.80	417.75
Dec	420.40	420.50	417.35	418.20
Mar	420.90	421.05	418.00	418.80
Jun	421.50	421.50	418.70	419.50

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
1.825	10.25	10.25	10.30	10.30	-	0.15	0.87	2.30
1.850	7.75	7.75	7.52	8.06	-	0.40	1.43	3.12
1.875	5.30	5.44	5.78	6.22	-	0.86	2.20	4.18
1.900	2.91	3.54	4.02	4.69	0.11	1.57	3.20	5.47
1.925	1.03	2.13	2.77	3.48	0.74	2.69	4.57	6.98
1.950	0.15	1.18	1.86	2.58	2.44	4.31	6.23	8.63
1.975	0.01	0.58	1.18	1.65	4.91	6.24	8.04	10.48

Previous day's open int: Calls 368,292 Puts 569,937 (All currencies)
Previous day's volume: Calls 21,490 Puts 10,245 (All currencies)

PARIS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
104	-	-	-	0.07	-	-
105	-	-	-	0.20	0.91	1.08
106	0.28	1.32	-	0.65	1.31	-
107	0.07	0.88	1.39	1.40	1.84	-
108	0.01	-	-	-	-	-
Open Int.	155,048	270,278	16,400	119,662	88,520	8,205

Estimated volume 35,047 † Total Open Interest 658,113
† All Yield & Open Interest figures are for the previous day.

POUND - DOLLAR

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

MONEY MARKETS

Calmer trading

TRADE in the short-dated sterling futures and cash markets had a calmer tone yesterday after the pound stabilised on the foreign exchanges and most of the shortage forecast by the Bank of England was removed in the morning.

After losing around two pfennigs against the D-Mark in the last week, the pound had a more relaxed tone on the foreign exchanges yesterday, closing up a ¼ of a pfennig at DM2.8275. This pushed the front month contracts up in the sterling futures market. The September contract closed up 6 basis points from its opening level, at 89.70. The December contract closed up 5 basis points from its opening level at 89.78.

Both prices are far from discounting a cut in UK base rates in the short term. Uncertainty about the currency still hangs over the markets, especially with a spate of UK indicators due in the latter part of the week, several of which may underline continued weakness in the economy.

The tone in the cash markets was brighter, although most rates closed unchanged on Friday's levels. The £1.1bn shortage forecast by the Bank of England was removed quickly, easing the tone of trading. Dealers feel no pressure to hold onto bills at the moment, as there is no expectation of a cut in base rates which would increase the capital value of the assets on their books.

One-month money closed unchanged at 10⅛ per cent on the offered side. Three-month money was also unchanged at 10¼ per cent offered, but the 1-year closed down ⅛ per cent at 10⅛ per cent.

The Bank of England purchased Band 1 and 2 bills at the established rate of 9⅞ per cent and the repurchase agreement (repo) at 9⅞ per cent. In the morning, the Bank purchased £305m in Band 1 bank bills, £337m in Band 2 bank bills and £300m in the repo. In the afternoon, the Bank revised the shortage down to £1bn and provided late assistance of around £45m.

In the German money markets, call money rates were still just under the 9.75 per cent Lombard rate, reflecting the tightness of the market seen since the start of the month. In Italy, the central bank's "repo" rate was again set at 14.21 per cent.

UK clearing bank base lending rate
10 per cent
from May 5, 1992

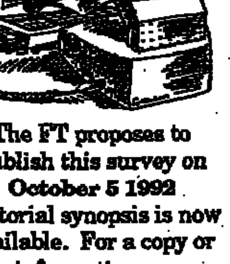
FT LONDON INTERBANK FIXING

(11.00 a.m. Aug 10) 3 months US dollars: bid 3⅞ offer 3¼

MONEY RATES

NEW YORK — Treasury Bills and Bonds

LONDON MONEY RATES



TECHNOLOGY IN THE OFFICE

The FT proposes to publish this survey on October 5 1992

Editorial synopsis is now available. For a copy or information on advertising Call Andy Barrons
Tel: 071 873 3201
Fax: 071 873 3062

FINANCIAL TIMES

TO THE HOLDERS OF

Home Shopping Network, Inc.'s

5½% Convertible Subordinated Debentures

NOTICE OF ADJUSTMENT TO CONVERSION PRICE

NOTICE IS HEREBY GIVEN pursuant to Section 1204(k) of that certain Indenture dated as of April 22, 1987 (the "Indenture") between Home Shopping Network, Inc. ("HSN") and Bankers Trust Company, as Trustee, pursuant to which HSN issued its 5½% Convertible Subordinated Debentures due April 22, 2002 (the "Debentures"), that as the result of the pro-rata distribution of all of the capital stock of Precision Systems, Inc., a Delaware corporation and wholly-owned subsidiary of HSN, to holders of the Common Stock, $.01 par value, and Class B Common Stock, $.01 par value, of HSN, the Conversion Price (as that term is defined in the Indenture) for the Debentures has been reduced pursuant to Section 1204(e) of the Indenture from $7.05 per share to $6.70 effective as of July 30, 1992.

HOME SHOPPING NETWORK, INC.

Market Myths and Duff Forecasts for 1992

JOTTER PAD

CROSSWORD

No.7,922 Set by HIGHLANDER

ACROSS

1 Academic woman is not very happy holding merchandise (12)
10 He doesn't believe in daughter going into wild life (7)
11 I landed back in America with energy to put to use (7)
12 Last on board has to propel boat to northern swamp (5)
13 Standing still next to deer is new worker (8)
15 Sent back by the Mirror for careful consideration? (10)
16 Man will create pain and suffering (4)
18 Move very slowly: don't start to squeeze (4)
20 Top form produces best degree (5-5)
22 Practised with salt and pepper (8)
24 Request time to join the fold (5)
26 Stop me going back to stop-go (7)
27 Musically excited, has a go at it in new production (7)
28 Rose has taken the sheep to make cheese (3,9)

DOWN

2 Passenger's ride cancelled when rocket flight starts (7)
3 Bottom half of even wild garden is put at risk (8)
4 Ordered to say "sounded like a bell" (4)
5 Pay attention to building place for suits (10)
6 Having spoken, watch Carol decorating cake (5)
7 Terrible service produces scowl (7)
8 He pretends cathedral is in Hereford and Worcester (13)
9 Later on, if it is scattered, it encourages growth (13)
14 Refuse to work with domestic to achieve effect intended (6,4)
17 They don't believe leader of Scottish Church converted Picts (8)
19 Warning light on Church Assembly room (7)
21 State silver meets English standard (7)
23 Between nil and 500 are equipped like rowing boats (5)
25 Pack up taking brandy (4)

Solution to Puzzle No.7,921

PIGEON CENTAURS · UNEVEN LARKSPUR · PENTAGON STARVE · DIET PARISMATCH · METHODICAL ARID · SERMON DECANTER · IMPOSTOR AIRBED · FINALIST DEFEND

WORLD STOCK MARKETS

CANADA

TORONTO

4.00 pm prices August 10

3000	Canamax	29	29	29	
11000	Canfor	$27½	27½	27½	
12100	CnPcForest	$24¾	24¾	24¾	
2900	Cara Op	455	450	450	
2000	Cascades	$8⅛	8	8	
300	Celanese	$42½	42½	42½	
1000	Cntrl Cap	12	12	10	
1600	Cinepx Odn	290	290	290	
1200	Cntrl Fd A	485	480	480	
2400	Cominco	$23	22¾	23	+⅛
1000	Coputalog	40	40	40	
3000	Invest Grp	$24¼	24	24	-¼
300	Ivaco A	405	405	405	
900	Jannock	$15	15	15	
900	KerrAddis	$16½	16½	16½	+¼
90800	Laban	$29⅝	28¾	29¼	-⅛
56900	Lac Minls	$9⅛	8⅞	9	-⅛
100	Lafarge	$16½	16½	17	
12900	Laidlaw A	$10¼	10	10	-⅛
335700	Laidlaw B	$10¼	d9¾	9⅞	-¼
200	Reed Sten	u$29	29	29	
300	Reitman S	$16	d16	16	
29700	Ren'ssance	u$18	15¾	15¾	-¼
82600	Repap Ent	355	315	335	+15
27700	Rio Algom	$17¼	17¼	17¼	-⅛
48600	RogersComB	$14	13⅞	13⅞	-¼
300	Rothmans	$95	95	95	
138600	RoyalBkCan	$25⅛	24⅞	25⅛	
110600	Ryl Oak Mn	244	235	236	
51600	RylTrustco x	$5⅜	5¼	5⅜	+⅛

MONTREAL

4.00 pm prices August 10

15200	MacleanHnt	$11⅞	11⅞	11⅞	
49400	NatBk Can	$9¼	9⅛	9¼	
2700	Quebecor A	u$14⅞	14¾	14⅞	+⅛
2500	Teleglobe	$13⅛	13	13	-⅛
400	Univa	$7⅝	7⅝	7⅝	-⅛
2400	Videotron	$17½	17⅜	17½	+⅛

Total Sales 7,698,400 shares

INDICES

NEW YORK

DOW JONES	Aug 10	Aug 7	Aug 6	Aug 5	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3337 58	3332.18	3340 56	3365 14	3413 21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102 28	102.14	102.06	101 98	102 28 (10/8)	98 41 (20/3)	102.28 (10/8/92)	54 99 (1/10/81)
Transport	1273 19	1277 40	1284 11	1291 20	1467 68 (20/2)	1269 74 (23/7)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220 46	221 08	221 08	222.52	225 59 (3/1)	200 74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3350.28 (3378.38) Low 3305 16 (3318.40)

STANDARD AND POOR'S	Aug 10	Aug 7	Aug 6	Aug 5	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite †	419 42	418 88	420.59	422.19	425 09 (3/8)	394.50 (8/4)	425.09 (3/8/92)	4 40 (1/6/32)
Industrials	492 81	491.63	494.05	496 12	499 51 (3/8)	470 91 (8/4)	499 51 (3/8/92)	3.62 (21/6/32)
Financial	36 16	36.36	36 35	36 42	36 66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	230.86	230 79	231 50	232.29	233.66 (3/8)	217 92 (8/4)	233 66 (3/8/92)	4.46 (25/4/42)
Amex Mkt. Value	388 41	390 13	389 77	389 90	418 99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	573 14	573 74	574 05	576 87	644 92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Aug 7	Jul 31	Jul 24	year ago (approx.)
Dow Industrial Div Yield	3 12	3 07	3 17	3.08

	Aug 5	Jul 29	Jul 22	year ago (approx.)
S & P Industrial div. yield	2.59	2.59	2.68	2.68
S & P Indl P/E ratio	29.34	29.31	28.50	19 62

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Navistar	2,928,800	2⅛	- ⅛
Storage Tech	2,589,000	27⅛	- 6⅛
Hewlett Pack	2,037,700	60½	+ 1⅝
Gen Motors	1,932,400	37⅞	+ ⅞
Boeing	1,922,100	39¼	- ¼
Citicorp	1,908,300	18⅞	- ⅜
IBM	1,663,100	88½	+ 1⅜
Wellcome	1,603,400	15⅛	- ⅛
Equity Co	1,590,100	9	- ⅛
Brit Pete	1,571,400	45	+ 1¼

TRADING ACTIVITY

† Volume (Millions)	Aug 10	Aug 7	Aug 6
New York SE	142.440	188.340	181.390
Amex	8.303	8.612	8.584
NASDAQ	(u)	149.675	156.829
NYSE			
Issues Traded	2,332	2,295	2,322
Rises	801	772	706
Falls	933	915	977
Unchanged	598	608	639
New Highs	65	81	72
New Lows	38	24	21

CANADA

TORONTO	Aug 10	Aug 7	Aug 6	Aug 5	1992 HIGH	1992 LOW
Metals & Minerals	3009.25	3021.60	3029.48	3031.48	3238.87 (16/1)	2828.26 (8/4)
Composite	3408.80	3406.30	3398.63	3406 19	3666 00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1785 05	1784.78	1778.62	1784.28	1937 59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Aug 10	Aug 7	Aug 6	Aug 5	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1592.3	1586.7	1588.6	1605.4	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	700.4	696.2	695.8	703.6	726.80 (3/7)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	299.08	305.97	313 71	320 02	458.57 (24/2)	299 08 (10/8)
Traded Index (2/1/91)	699.73	719.28	744.21	764.05	1099.43 (24/2)	699.73 (10/8)
BELGIUM						
BEL20 (1/1/91)	1125.42	1133.28	1143.19	1138.75	1235 40 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	302.39	305.40	305.08	303 64	365 29 (15/1)	302.39 (10/8)
FINLAND						
HEX General (28/12/90)	675.3	682.5	688.5	689.8	935 90 (24/2)	675.30 (10/8)
FRANCE						
CAC General (31/12/82)	482.98	486 96	488.68	486.87	555.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	1755.22	1777.27	1793.84	1797.98	2077.49 (11/5)	1727 49 (22/7)
GERMANY						
FAZ Aktien (31/12/58)	628 09	635.66	638 85	636 62	725.26 (26/5)	628.09 (10/8)
Commerzbank (1/12/53)	1775.70	1798.6	1807 5	1802.5	2043 80 (25/5)	1775.70 (10/8)
DAX (30/12/87)	1582.55	1609.5	1621.15	1628.81	1811.57 (25/5)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	5867 94	5850.93	5829.83	5881.24	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1240.74	1258.25	1265.17	1268.03	1469.57 (17/1)	1240.74 (10/8)
ITALY						
Banca Com. Ital. (1972)	406.76	416.89	421.37	419.63	551.59 (6/2)	397.73 (30/7)
MIB General (2/1/92)	799.0	821.0	829.0	827.0	1086.00 (5/2)	779.00 (30/7)
JAPAN						
Nikkei (16/5/49)	15066.34	15518.27	15926.44	15983 64	23801.18 (6/1)	15066.34 (10/8)
Tokyo SE (Topix) (4/1/68)	1148.56	1181.23	1207.32	1213.34	1763.43 (6/1)	1148.56 (10/8)
2nd Section (4/1/68)	1612.76	1649.25	1672.37	1683.53	2459.85 (6/1)	1612.76 (10/8)
MALAYSIA						
KLSE Composite (4/4/86)	595.16	597.11	598.27	602.58	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	285.4	288.4	290.7	293.3	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	195.0	197.0	198 6	200.3	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	622.57	637.48	643.27	653.67	772.74 (18/5)	622.57 (10/8)
PHILIPPINES						
Manila Comp (2/1/85)	1445.65	1462.76	1463.80	1485 85	1580 95 (11/6)	1083 01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	(c)	381.51	381.42	387.71	416 99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1004.0‡	1003 0	998.0	1010.0	1327 00 (21/1)	998.00 (6/8)
JSE Industrial (28/9/78)	4167.0‡	4191.0	4198.0	4203.0	4689.00 (4/6)	4103.00 (27/7)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	507.88	495.22	500.04	493.33	691.48 (8/2)	493.33 (5/8)
SPAIN						
Madrid SE (30/12/85)	213.86	215.71	217.45	217.87	266.51 (28/2)	211.35 (28/7)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	834.4	850.9	859.4	863.1	1014.50 (11/5)	834.40 (10/8)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	838.5	842.9	847 8	849.1	883 40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	631.5	634.8	638.3	638.9	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	3951.73	4082.90	4122.78	4134.91	5391.63 (30/1)	3947.32 (29/7)
THAILAND						
Bangok SET (30/4/75)	756.45	764.43	767.48	761.51	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl (1/1/70) ($)	483.5*	488.8	492.0	494 7	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	835.00	847.11	857.50	861.16	976.55 (25/5)	835.00 (10/8)

**Saturday August 8: Taiwan Weighted Price: 4030.79, Korea Comp Ex 494.35.
‡ Subject to official recalculation. *Calculated at 15 00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 10 August 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Okamoto Inds	7.0m	867	-34	Chiyoda Corp	1.4m	1,340	-60
Meiji Milk	3.8m	760	-5	Jpn Storage	1.4m	639	-44
Mochida Pharm	3.6m	2,500	-110	NPN Steel Corp	1.4m	261	-3
Hitachi	1.8m	740		Daikyo Kanko	1.3m	513	+8
Jpn Mtl & Chem	1.6m	395	-6	Toshiba Corp	1.2m	591	-10

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

4:00 pm prices August 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11⅞	AAR Corp x	0.48	3.8	20	85	12⅞	12⅝	12¾	-⅛
26	18	A L Labs A	0.18	0.9	70	131	20⅛	19⅝	19⅞	-½
66¾	52⅝	AMP Inc x	1.62	2.8	21	662	54⅞	54⅜	54¾	-⅛
80¼	60⅞	AMR				226244	61⅛	d60¾	61	-½
2⅛	1⅞	ARX			2	3	1⅛	1⅛	1⅛	+⅛
53½	38¼	ASA	2.00	5.0	26	185	40	39⅝	39⅞	-⅜
34¼	26⅛	Abbott Lab	0.60	1.9	22	5638	31¼	30⅝	31⅛	+⅜
13⅞	12	Abitibi Pr	0.50	3.7	7	10	13⅝	13⅛	13⅜	-⅛
11⅝	10⅛	ACM Gvt In x	1.08	9.6		95	11¼	11⅛	11¼	+0.96
10⅞	9⅛	ACM GvOpp x	0.92	9.3		16	9⅞	9¾	9⅞	+0.92
9½	8½	ACM Gvt Sp x	0.82	8.7		172	9⅜	9⅛	9⅜	+⅛
11¼	10⅛	ACM Gvt Se	0.96	8.8		193	11	10⅞	10⅞	
10¼	8⅝	ACM Man x	0.98	9.7		634	u10¼	10	10⅛	+0.99
12⅞	10⅝	ACM Mangd x	0.99	9.0		197	11⅛	11	11	+⅞
11⅛	4⅞	Acme Cleve x	0.40	5.6	13	101	7⅛	6⅞	7⅛	+⅛
6⅛	4⅛	Acme Elect			4	23	4⅞	4⅛	4⅞	+⅛
33⅛	18⅛	Acuson			12	977	18⅛	18⅛	18⅜	-⅜
19½	18⅛	Adams Expr	1.63	8.5	0	31	19⅛	19	19⅛	
49⅛	29½	Ad Micro	3.00	8.6		104	35	34¾	34⅞	-⅛
21½	7½	Ad Micro P	3.00	32.9		33490	9⅜	9⅛	9⅛	-⅛
9⅛	5	Advest Grp	0.16	2.9	76	141	5⅝	5½	5½	-⅛
37⅜	33	Aegon ADR	1.69	4.5	6	6	37	37	37	
47	38¼	Aetna Lf x	2.76	6.5	11	622	42⅞	42½	42⅜	-⅛
12¼	8⅝	Aflll A x	0.24	2.0	14	282	12⅛	11⅞	11⅞	
34	24	Aflac x	0.44	1.3	18	545	33	32⅝	32⅞	+⅛
19⅜	15⅛	Ahmanson x	0.88	5.2	7	264	17	16⅞	17	
22½	6¼	Aileen Inc			5	35	6	5⅞	6	
49½	36½	Air Pr Chm	0.88	2.1	17	1814	42⅛	41¼	41½	-⅜
29¾	12½	Airbne Frt	0.30	2.3	25	367	13⅜	13	13⅛	-⅛
34⅛	22⅞	Airgas Inc			25	97	30½	29	30⅞	+⅛
12⅜	6⅛	Airlease	1.68	15.1	8	83	11⅜	11⅛	11⅛	-⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- A - (continued) [illegible]

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- G - [illegible]

- H - [illegible]

- I - [illegible]

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- K - [illegible]

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- M - [illegible]

- N - [illegible]

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- P - Q - [illegible]

- R - [illegible]

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
14⅛	12½	World Wide x	0.25	1.9		47	13⅝	13½	13½	-⅛
12⅝	6¼	Worldcorp			39	220	6⅜	d6⅛	6¼	-⅛
87⅛	66⅞	Wrigley	1.00	1.1	24	311	u87¼	85¾	87	+1¼
16½	12⅞	Wyle Labor	0.28	1.8	16	179	16¼	15½	15½	-⅜
23⅝	16⅛	Wynns Intl	0.60	2.6	8	4	23⅛	23⅛	23⅛	-⅛

- X - Y - Z -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
82¼	66½	Xerox	3.00	4.0	17	1043	75⅛	74⅜	74⅜	-½
53½	50½	Xerox4 125				5	53⅛	52⅞	53⅛	
31½	24⅞	Xtra 1.94 x	1.94	6.2		42	31¼	30⅛	31¼	+9/16
42¼	28½	Xtra Corp	0.80	2.0	12	213	40¾	40⅜	40¾	
29½	25¼	Yankee Egy	1.66	5.7	13	69	29⅛	28⅞	29	-⅛
1½	½	Zapata			26	72	1⅛	1	1	
11⅛	6¾	ZenithElec			4	770	7⅛	6⅞	7	+⅛
19½	14½	Zenith Nat x	1.00	5.6	8	6	18	18	18	-⅛
7⅞	6	Zenix Inc	0.82	11.3		110	u7⅜	7¼	7¼	
13⅜	10	Zero Corp x	0.40	3.3	19	69	12⅜	12⅛	12¼	-⅛
38	27⅝	Zurn Ind	0.88	3.0	32	129	30¼	29⅜	29⅜	-⅞
14⅛	12	Zweig Fund	1.15	8.8		98	13	12⅞	13	+⅛
11	9½	Zweig Toll x	0.96	9.1		819	10⅝	10⅜	10½	-⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xira(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices August 10

Stock	Div.	P/E	Sls 100s		High	Low	Close	Chng
Chmbrs A		10	526		8¾	8½	8⅝	-⅛
Chambers		11	53		9	8¾	8¾	-¼
Champion		38	62		4⅛	3⅞	3⅞	-⅛
Chiles		0	79		⅞	¾	¾	

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Perini	0.80	21	26	12	d11½	11½	-½
Pet HtP	1.14	17	11	16	15⅞	15⅞	-⅛
Phil LD	0.21	15	655	38¾	37⅞	37⅞	-1⅜
WIRET	1.12	16	71	13⅛	12¾	13⅛	+⅛
Worthen x	0.05	9	49	22¼	21⅞	22	+⅛
Xytronix		9	10	9	9	9	-¼

NASDAQ NATIONAL MARKET

4:00 pm prices August 10

FINANCIAL TIMES Tuesday August 11 1992

AMERICA

Dow subdued in response to falls abroad

Wall Street

HEAVY LOSSES on overseas markets set the tone for a subdued day's trading on US stock markets yesterday, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was up 5.40 at 3,337.58, having spent all but the final few minutes of the day a few points below Friday's close. The more broadly based Standard & Poor's 500 finished up 0.53 at 419.41, while *the Amex composite was down* 1.72 at 388.41, and the Nasdaq composite 0.60 lower at 573.14. Turnover on the NYSE was very light at 143m shares.

Overnight prices in Tokyo fell to their lowest levels for six years, a sell-off which triggered declines in most European markets. *Against this* background, it was no surprise when US markets opened lower and even another solid rise in bond yields, further pushing down long-term interest rates, failed to lift investors' mood.

Trading activity was light, *typical of a mid-August week,* with many investors away on vacation.

Among individual stocks, McDonnell Douglas climbed $2¼ to $37¼ after the defence and aerospace group unveiled a major restructuring, which will include the consolidation of its six military aerospace companies into two groups, the sale of its helicopter unit and the closing of its Ohio plant.

Procter & Gamble fell $⅝ to $49¼ after reporting net income of $339m for the April-to-June quarter, higher than the $304m reported a year ago but slightly below analysts' estimates. The company's final quarter took full-year profits to $1.87bn.

TJX rose $¾ to $20¾ after the specialty retailer reported second quarter earnings of 26 cents a share, up from 20 cents *a share a year earlier.*

Hewlett-Packard, savaged by selling last week in the wake of disappointing earnings, bounced back yesterday with a gain of $1⅛ at $60⅜. IBM, which also suffered last week, recovered another $1⅜ to $88¼ in active trading.

The ADRs of British Airways rose $⅞ to $49⅝ after analysts predicted first quarter pre-tax profits of £80-£90m.

Storage Technology plunged $6⅛, or 18 per cent, to $27¼ as investors reacted negatively to the news released late on Friday that the company has *delayed the testing and production* of its Iceberg data storage system.

On the Nasdaq market, Novell rose $2⅝ to $51¼ in turnover of 1.8m shares on details of a pact in which Microdyne will develop and market network connectivity cards certi*fied through Novell laborato*ries to be optimised for NetWare local area networks.

Canada

TORONTO stocks ended mixed in quiet trading. According to preliminary data, the TSE 300 index rose 2.48 points, or .07 per cent, to close at 3,408.78. Declines led advances 269 to 229, volume of 16.7m shares was below Friday's 19.6m, and trading value was C$186.7m against C$242.6m.

Eight of the 14 stock groups closed higher. The transportation group posted the day's biggest decline, off 1.92 per cent on index.

SOUTH AFRICA

DE BEERS depressed sentiment in Johannesburg ahead of its interim results due today. Analysts are forecasting disappointing half year earnings from the diamond conglomerate. Its shares fell to an intraday low of R72.60 before closing down R2 at R73. The overall index weakened 24 to 3,346 and industrials lost 24 *to 4,167. The gold index gained* 1 to 1,004.

EUROPE

Continent starts the week in negative mood

BOURSES remained depressed by the low dollar, high interest rates and poor corporate progress reports and share prices were marked down further yesterday, *writes Our Markets Staff.*

FRANKFURT dropped 1.7 per cent, the DAX index closing 26.95 lower at 1,582.55 after a 7.57 fall to a new 1992 low of 628.09 in the FAZ index at mid-session. Turnover rose from DM3.4bn to DM4.2bn.

Selling of construction stocks left Bilfinger & Berger off DM32 at DM870, Hochtief by DM43 at DM977 and Holzmann by DM54 at DM912. There was no particular rationale about this, except that the sector had performed this year and investors still had profits to take.

Daimler weakened noticeably on a story that a Swedish consortium involving Saab, Ericsson and Volvo was planning to offer a substitute for the sidelined European Fighter Aircraft (EFA). The shares fell DM15.20 to DM647; the decline was beaten in percentage terms, however, by the DM14.50 drop to DM543 at BMW, still regarded by some as the quality stock among carmakers.

FT-SE Eurotrack 100 - Aug 10							
Hourly changes							
Open	*10.30am*	*11 am*	*12 pm*	*1 pm*	*2 pm*	*3 pm*	*close*
1057.30	1056.72	1056.66	1054.08	1053.14	1050.39	1049.64	1049.68
Day's High 1057.32				Day's Low 1049.48			
Aug 7	Aug 6	Aug 5	Aug 4	Aug 3			
1067.01	1078.71	1081.21	1076.44	1069.17			

Base value 1000 (26/10/90).

In retailing, Douglas extended last week's declines on a disappointing progress report with a fall of DM14.50 to DM499.50; but Kaufhof followed it down with a drop of DM9.50 to DM487.50, although most retailers were satisfied with the results of the two-week sales which ended on Saturday, and that all of them were hoping for a boost in the second half.

PARIS remained depressed with Peugeot and St Gobain continuing declines begun at *the end of last week* on disappointing second quarter results. The CAC 40 index fell *25.11 or 1.4 per cent to 1,752.16* and turnover remained weak at an estimated FFr1.1bn.

Peugeot remained active as investors reviewed the carmaker's sales figures and some negative analysts' notes were issued. Its shares lost FFr25, or 3.9 per cent to FFr617.

Downgradings were also in evidence at St Gobain, which ended the day FFr5 lower at FFr515, and a couple of large sellers were said to be responsible for the 6 per cent fall in Cap Gemini, down FFr13.50 at FFr208.50.

Air Liquide's first half was unexceptional, according to some analysts, but the stock showed resistance, off FFr5 at FFr770. Yves St Laurent bucked the trend with a *FFr4* gain to FFr829 on a 6.8 per cent increase in first half revenues.

AMSTERDAM anticipated *poor half year results from* Fokker, due today and its shares plunged 6 per cent by the close, down Fl 1.60 at Fl 23.70. The aircraft manufacturer surprised the market by bringing forward its results by a week. The CBS Tendency index eased 1.9 to 114.0.

Hoogovens remained weak, *also ahead of its results, shed*ding Fl 1.20 to Fl 38.90. Analysts are forecasting disappointing earnings following the deterioration in the European steel industry during the second quarter.

News that Polygram is to take a 51 per cent stake in a US *film producer failed to lift sen*timent as this group, too, prepared to release figures today. Its shares came off Fl 1.40 to Fl 44.50, while its parent, Philips, shed 70 cents to Fl 23.00.

MILAN suffered after last week's technical recovery, and although it closed above its *lows the final MIB index,* which takes into account 35 shares traded by computer, showed a drop of 22, or 2.7 per cent to 799; it had opened 3.4 per cent lower.

Turnover was estimated at little more than Friday's L57.8bn. Banking and insur*ance shares were among the* most affected by yesterday's declines, Credito Italiano and Mediobanca losing L80 to L1,300, and L610 to L11,590 respectively, and Generali dropping L1,180 to L26,805. Mr Michele Pacitti at County NatWest said that domestic investors were out of the market and that, with foreigners seen as the main potential sellers, the more liquid sectors like financials and telecoms were being marked down.

ZURICH was more resilient than most, the SMI index falling 9.6, or 0.5 per cent to 1,800.0 in thin volume from 1,809.6 on *Friday.* Banks, chemical and food shares reduced earlier losses. Ciba-Geigy registered topping the active list with a fall of SFr6 to SFr659 and Nestlé registered coming second as they closed SFr40 lower at SFr9,180.

BRUSSELS declined as the *market continued to react to* Petrofina's disappointing half-year results last week. The Bel-20 index lost 7.86 to 1,125.42 *in turnover of BFr533m.* Petrofina closed at a year's low, down BFr275 at BFr10,150. *Société Générale de Belgique* eased BFr15 to BFr1,960 while Solvay fell BFr50 to BFr12,350.

MADRID saw dull trading with the general index down 1.85 to 213.86. Repsol weakened Pta30 to Pta2,560 and Telefónica slipped Pta15 to Pta1,020.

OSLO tumbled for the seventh consecutive session, the all-share index falling 9.16, or 2.6 per cent to 353.18 in thin trading. The weak dollar continued to affect oils, metals and shipping, Norsk Hydro losing NKr4 to NKr130, Elkem free shares dropping NKr5 to NKr60 and the *shipping index falling* 13.9 to 292.11.

STOCKHOLM's Affärsvärlden index shed 16.5 to 834.4 in low volume. The bank and finance sector fell 3.7 per cent with SE Banken A shares down SKr2 to SKr22 and Handelsbanken's A declining SKr2.50 to SKr44.

HELSINKI fell further following last week's increase in interest rates. The HEX index fell 7.17 to 675.37.

VIENNA slid to new lows under pressure from the new ATX stock index futures contract, the all share index closing down 7.26 at 346.88, *its lowest since May, 1989.* The oil company, OMV, lost Sch36, or 6 per cent to a year-low of Sch556.

ISTANBUL rebounded slightly after the 75-share market index fell below 3,900 in early trade on some disappointing half-year results. The index closed up 7.23 at 3,939.78.

ASIA PACIFIC

Nikkei falls 2.9% to its lowest level since March 1986

Tokyo

LIQUIDATION of holdings in Nippon Telegraph and Telephone and other public utilities depressed share prices, *and the Nikkei average fell 2.9* per cent to its lowest level since March 1986, *writes Emiko Terazono in Tokyo.*

The Nikkei fell 451.93 to 15,066.34, having opened at the day's high of 15,470.79 and fallen to its low of 14,929.55 by mid-morning. Investors facing *additional margin calls on col*lateral due to the steep fall in prices liquidated share holdings, traders said. Short selling and futures-linked arbitrage unwinding also depressed sentiment.

Volume rose slightly to 200m shares from 183m. Declines led advances by 887 to 53 with 61 unchanged. The Topix index of all first section stocks fell 32.67 to 1,148.56, the lowest level for the year and, in London, the ISE/Nikkei 50 index closed up 0.52 at 942.10.

NTT's decline continued to *weigh on the market, its shares* losing another Y42,000 to a new all-time low of Y467,000.

Mr Tsutomu Hata, the finance minister, said that the ministry, which still owns two-thirds of NTT's outstanding shares, was considering postponing the public stock offer*ing scheduled for this fiscal* year. He added that he had ordered officials to review possible support measures for the market.

"The fall in NTT is prompting investors to re-evaluate other public utilities, such as electric power companies," said Mr Yuichi Kohashi, strategist at Daiwa Securities.

Traders noted an increase in short selling by individuals. "Investors see that profits are easily generated by selling short and buying back shares," said Mr Masami Okuma at UBS Phillips & Drew. He added that investors were searching for issues with negative news in order to create short positions.

Institutional investors remained inactive. Most leading companies today enter the summer holiday week. Some traders fear that price manipu*lation by option dealers ahead* of this Friday's expiry of August option contracts could cause some volatility in the underlying cash markets.

Banks were weaker on continuing concerns over bad loans. Industrial Bank of Japan fell Y30 to Y1,730 and Sumitomo Bank lost Y40 to Y1,360.

Dealers and individuals dumped speculative theme stocks. Okamoto Industries, the most active issue of the day, slipped Y34 to Y867 and Meiji Milk Products fell Y5 to Y760.

In Osaka, the OSE average fell 615.30 to 16,331.81, its lowest level since April 1986. Volume totaled 12.7m shares against 18.5m.

Roundup

WEAKNESS in Tokyo *depressed most of the region's* markets yesterday. Singapore was closed for a holiday.

HONG KONG saw moderate gains in thin trade. The Hang Seng index put on 17.01 to 5,867.94 in turnover down to HK$2bn from Friday's HK$2.2bn.

Hutchison Whampoa and its associate, Cheung Kong, lost 40 cents to HK$15.50 and 10 cents to HK$23.60 respectively.

KUALA LUMPUR focused on selective issues while general sentiment remained depressed. The composite index fell 1.95 to 595.16. Losers led gainers by 167 to 60.

TAIWAN eased with the weighted index down 79.00 or 2 per cent to 3,951.73. Turnover was T$19bn compared to T$15.9bn during Saturday's half day session.

BANGKOK's SET index shed *8.93 to 755.45 in turnover of* Bt5.36bn. Falls led rises by 164 to 69.

Thai Airways International and Bangkok Land lost Bt1 and Bt2 to Bt53.50 and Bt132 respectively.

AUSTRALIA managed a slight rise. The All Ordinaries index closed up 5.5 at 1,592.3 in turnover of A$520.7m.

Coca-Cola Amatil fell 3 cents to A$6.95. After the close it *announced a 35.5 per cent fall* in interim net profit to A$13.58m.

SEOUL staged a technical rebound in thin trade as the composite stock index added 13.53 to 507.88.

Daewoo Group shares firmed after Mr Kim Woo-joong, the group chairman, officially denied that he might form a political opposition party.

NEW ZEALAND was led lower by weakness in Fletcher Challenge which lost 7 cents to NZ$2.75. The NZSE index declined 20.15 to 1,523.20.

Elsewhere Brierley lost 2 cents to 95 cents, and Telecom, fell 3 cents to $2.26.

BOMBAY rallied in low volume. The BSE Index firmed 77.57 or 3 per cent to 2,668.98.

Global sense of depression in thin trading

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	Start of 1992
Austria	-6.19	-14.46	-29.01	-14.93	-15.24	-12.59
Belgium	-0.72	-2.91	-4.81	-1.12	-0.79	+2.32
Denmark	-1.49	-4.41	-22.14	-14.73	-13.54	-10.84
Finland	-0.95	-11.46	-31.44	-11.11	-11.56	-8.82
France	+0.94	-4.25	+1.72	+1.14	+2.63	+5.84
Germany	-0.09	-8.57	-5.57	-0.90	-0.46	+2.65
Ireland	-1.95	-3.17	-13.87	-10.24	-9.65	-6.83
Italy	+4.15	-5.94	-24.66	-15.77	-15.48	-12.84
Netherlands	-0.69	-3.77	-1.48	+3.02	+3.37	+6.60
Norway	-6.37	-10.11	-32.83	-13.73	-13.56	-10.86
Spain	-0.27	-8.80	-19.29	-13.00	-12.89	-10.16
Sweden	-0.94	-4.73	-13.91	+0.34	+1.22	+4.39
Switzerland	+0.35	-2.65	+4.88	+9.04	+9.08	+12.48
UK	-2.22	-6.27	-10.17	-6.00	-6.00	-3.06
EUROPE	-0.80	-5.92	-8.27	-3.73	-3.36	-0.34
Australia	-2.08	-4.04	-3.12	-5.62	-11.09	-8.31
Hong Kong	-0.42	-3.52	+43.13	+37.24	+33.87	+38.06
Japan	-2.63	-6.67	-34.18	-30.71	-34.14	-32.07
Malaysia	-1.21	-2.98	-1.12	+3.22	+8.94	+12.35
New Zealand	-0.96	-3.27	+0.70	-3.88	-6.18	-3.24
Singapore	-4.36	-9.38	-5.24	-9.11	-11.37	-8.60
Canada	-0.51	-1.20	-5.42	-3.91	-8.87	-6.02
USA	-1.17	+1.14	+7.84	+0.49	-2.56	+0.49
Mexico	+0.23	-0.07	+28.75	+2.23	-2.80	+0.24
South Africa	-2.16	-3.28	-2.17	-2.17	-17.57	-15.00
WORLD INDEX	-1.41	-3.03	-9.88	-9.89	-12.45	-9.71

† Based on August 7th 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securitie

By William Cochrane

With a 1.4 per cent fall in local currency terms last week, the FT-Actuaries World Index reflected a global sense of depression, thin trading, and traders and investors unwilling to take risks, heightened *by the low volume of business.*

The biggest influence on the World Index was Japan, which is also the worst performer of the year so far with a drop of 30.7 per cent; early in the week Tokyo shrugged off the Japanese government's plans to acquire land worth Y3 to Y4 *trillion in a bid to rescue the* banks, and on Wednesday to Friday sentiment was abraded by three consecutive falls in Nippon Telegraph & Telephone (NTT), leaving Japan's most widely-held share down 13.6 per cent on the week.

In Europe, Norway invited comparison *with Japan on a twelve month basis,* 32.9 per cent in arrears. Oslo was also the worst performing market of the week. Mr David Longmuir of James Capel says that the latest fall reflected a mix of profound depression among *domestic investors, and lack of* foreign involvement for the time being; the roots of that were in the weak dollar, and its effect on the oil price and shipping rates.

Austria ran Norway a close second on the downgrade. Once again, there was a sense *of a relatively marginal equity* market losing its occasional foreign support, and getting heavily oversold at domestic level. The market was unsettled further last Friday with the introduction of stock index futures and options trading on its ATX marker. Italy rose *after an agreement between* the government, trade unions and employers to scrap wage indexation, but the technical recovery there had subsided by the end of the week.

Back in the Pacific Basin, Singapore joined the laggards. A review from Hoare Govett *Asia last Friday said that* gloom and despondency had overwhelmed the market, and that poor results from the shipping sector had weakened sentiment across the board.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY AUGUST 10 1992								FRIDAY AUGUST 7 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	138.72	+0.3	108.73	112.28	105.80	125.20	+0.5	4.37	138.31	106.28	111.43	105.31	124.61	153.88	138.31	148.62
Austria (19)	142.36	-2.2	109.53	115.23	108.58	108.77	-2.6	2.69	145.56	111.85	117.27	110.83	111.62	186.70	142.36	172.00
Belgium (42)	146.47	-0.8	112.69	118.55	111.71	109.09	-0.8	5.64	147.69	113.48	118.97	112.45	109.99	152.27	135.87	130.58
Canada (114)	127.74	-0.3	98.28	103.39	97.42	109.80	+0.1	3.18	128.09	98.42	103.19	97.52	109.68	142.12	124.32	138.18
Denmark (35)	233.59	-1.9	179.72	189.08	178.16	179.58	-1.9	1.95	238.20	183.03	191.90	181.36	183.04	273.94	226.81	255.98
Finland (15)	70.54	-0.8	54.27	57.10	53.80	59.57	-1.0	2.37	71.14	54.66	57.31	54.17	60.19	89.80	69.74	100.43
France (104)	157.35	-1.2	121.07	127.36	120.00	122.55	-0.9	3.67	159.22	122.34	128.26	121.22	123.69	168.75	148.06	132.15
Germany (64)	118.68	-1.5	91.31	96.08	90.51	90.51	-1.3	2.53	120.44	92.54	97.04	91.70	91.70	129.69	114.67	108.43
Hong Kong (53)	243.60	+0.0	187.42	197.17	185.80	241.80	+0.0	3.38	243.48	187.09	196.15	185.39	241.73	259.55	176.36	169.23
Ireland (16)	156.49	+0.1	120.40	126.66	119.35	121.65	+0.2	4.34	156.35	120.14	125.96	119.04	121.45	173.71	151.78	153.24
Italy (78)	63.84	-2.8	49.12	51.67	48.69	52.93	-2.7	3.92	65.71	50.49	52.94	50.03	54.41	80.86	61.30	74.02
Japan (473)	89.36	-3.2	68.75	72.33	68.16	72.33	-2.7	1.18	92.26	70.89	74.33	70.26	74.33	140.95	88.70	127.69
Malaysia (69)	240.72	+0.0	185.20	194.84	183.59	231.77	+0.0	2.71	240.63	184.89	193.85	183.20	231.68	250.47	212.49	211.06
Mexico (18)	*1401.21*	*+0.5*	*1078.06*	*1134.17*	*1068.69*	*4750.76*	*+0.5*	*1.26*	*1394.51*	*1071.52*	*1123.46*	*1061.77*	*4728.82*	*1789.77*	*1303.41*	*1100.83*
Netherland (25)	160.85	-1.2	123.75	130.19	122.68	121.43	-1.0	4.62	162.78	125.06	131.13	123.93	122.69	167.29	147.88	138.82
New Zealand (14)	44.74	-1.6	34.42	36.22	34.12	43.73	-1.5	5.19	45.46	34.93	36.63	34.62	44.38	48.52	42.01	46.94
Norway (23)	153.98	-3.4	118.47	124.64	117.44	120.96	-3.1	2.09	159.38	122.46	128.40	121.35	124.87	192.95	153.98	201.19
Singapore (36)	200.97	+0.1	154.62	162.67	153.28	149.06	+0.0	2.22	200.79	154.28	161.76	152.87	149.06	229.63	192.76	194.29
South Africa (61)	209.80	-0.8	161.42	169.81	160.01	167.81	-0.8	3.03	211.57	162.57	170.45	161.09	169.24	263.60	194.69	244.25
Spain (49)	139.22	-0.9	107.11	112.69	106.18	98.83	-0.9	5.94	140.52	107.97	113.21	106.99	99.69	161.72	136.49	149.61
Sweden (30)	184.91	-2.2	142.26	149.67	141.03	145.90	-2.2	2.82	189.09	145.29	152.34	143.98	149.13	200.28	173.09	188.60
Switzerland (62)	111.84	-0.9	86.05	90.53	85.31	91.32	-0.7	2.35	112.90	86.75	90.96	85.97	91.93	113.88	95.99	93.63
United Kingdom (228)	177.47	-1.2	136.54	143.64	135.34	136.54	-1.1	5.33	179.66	138.05	144.72	136.78	138.05	200.07	165.85	174.28
USA (522)	170.87	+0.1	131.46	138.31	130.33	170.87	+0.1	2.94	170.72	131.17	137.54	129.99	170.72	173.10	160.92	157.52
Europe (790)	145.25	-1.3	111.75	117.57	110.78	111.75	-1.2	4.26	147.19	113.10	118.58	112.07	113.08	156.88	139.31	137.78
Nordic (103)	170.88	-2.2	131.46	138.30	130.32	128.65	-2.1	2.46	174.69	134.23	140.74	133.01	131.45	188.52	169.29	187.05
Pacific Basin (715)	96.32	-2.7	74.11	77.98	73.46	78.95	-2.3	1.56	98.95	76.03	79.72	75.34	80.78	141.97	94.40	129.30
Euro-Pacific (1505)	116.11	-2.0	89.33	93.97	88.55	92.52	-1.7	2.92	118.46	91.02	95.43	90.19	94.14	145.21	113.80	132.99
North America (636)	168.17	+0.1	129.38	136.13	128.28	166.71	+0.1	2.95	168.04	129.12	135.40	127.97	166.56	170.31	158.70	156.25
Europe Ex. UK (562)	125.41	-1.4	96.49	101.53	95.67	97.29	-1.2	3.50	127.16	97.72	102.48	96.86	98.51	132.98	121.81	116.05
Pacific Ex. Japan (242)	165.02	+0.1	126.97	133.59	125.87	147.80	+0.1	3.63	164.90	126.71	132.87	125.57	147.61	175.31	149.00	145.29
World Ex. US (1698)	118.33	-1.9	91.04	95.79	90.25	95.02	-1.6	2.92	120.60	92.67	97.17	91.83	96.58	146.91	116.45	134.91
World Ex. UK (1992)	131.13	-1.0	100.89	106.14	100.02	116.27	-0.9	2.62	132.50	101.81	106.75	100.89	117.30	150.58	127.21	138.40
World Ex. So. Af. (2159)	134.67	-1.1	103.61	109.01	102.72	117.67	-0.9	2.93	136.10	104.58	109.66	103.64	118.73	153.05	130.04	140.85
World Ex. Japan (1747)	*160.45*	*-0.4*	*123.45*	*129.88*	*122.39*	*144.55*	*-0.4*	*3.44*	*161.14*	*123.82*	*129.83*	*122.71*	*145.08*	*165.40*	*153.20*	*150.20*
The World Index (2220)	135.13	-1.1	103.97	109.38	103.07	118.13	-0.9	2.93	136.57	104.94	110.03	103.99	119.20	153.70	130.66	141.52

Singapore market closed August 10.